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MARKETING & MEDIA DECISIONS

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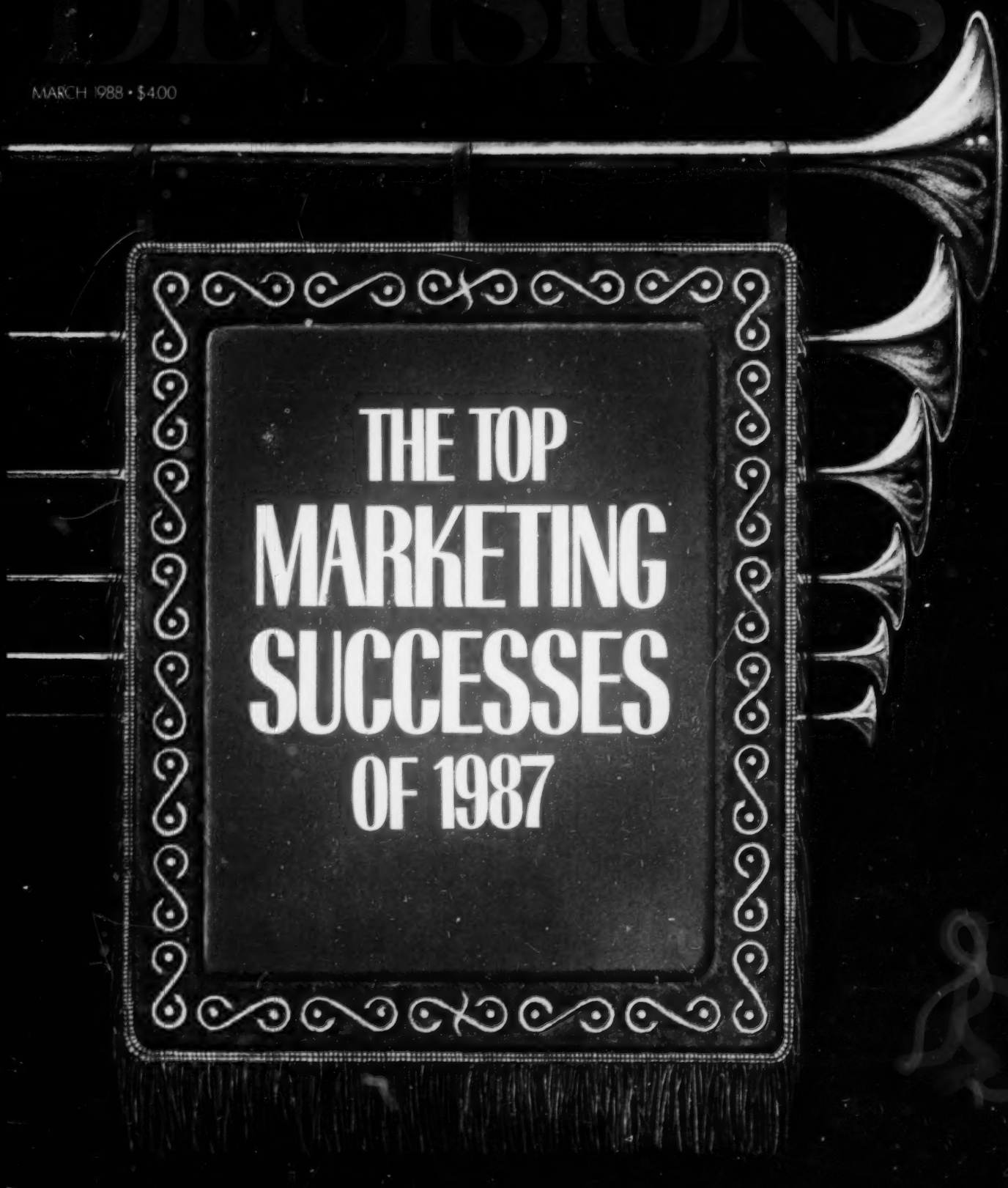

THE TOP MARKETING SUCCESSES OF 1987

MARKETING & MEDIA DECISIONS

COVER STORY

TA-DA-DA-DA-TA-DA! 35

Let the fanfare sound for the Top Marketing Successes of 1987.

FAST FOOD: McDONALD'S 38

Ronald's big grin continues to be justified. The fast-food favorite was fast on its feet in 1987, adding new customers to its burger base with a salad line and Mac Tonight. The result: yet another increase in market share.

AUTOMOBILES: SUZUKI SAMARAI 45

Wheeeee! Suzuki has defied all doubters and made its little jeep-like funmobile into a big success. Now come plans to make the fun last. Also honored: Ford Motors, whose quick pace crosses all model lines.

SPORTS EQUIPMENT: NIKE AIR 55

Nike Inc. is still recovering from the blow delivered by Reebok that knocked them down to number two in the athletic footwear market. But with its Air line, sales have jumped and retailers are once again pumped up about the Nike name.

COSMETICS: CLARION 61

Noxell has every reason to blow its own horn about the brilliant launch of Clarion cosmetics. Despite a few bumps, it is the most successful cosmetic launch in a decade, and 1987 saw the momentum continue.

FOOD PRODUCTS: KELLOGG 70

Do what you do best. As its competitors looked about for new businesses to augment the stale cereal segment, Kellogg quietly went about revitalizing the entire market. Talk about snap, crackle and pop!

APPAREL: TOMMY HILFIGER 79

This pretender to the men's sportswear throne is less a pretender than many would have guessed. In a down retail year, his sales have doubled, and his cheekiness is now considered part of his charm.

DIRECT MARKETING: INMAC 85

Think big. That motto helped keep the number-one computer aftermarket supplier in the top spot in 1987 as it secured big-ticket business. Inmac's irreverent, easy-to-use catalog got them in the door.

ALCOHOLIC BEVERAGES: BUDWEISER BRAND FAMILY 91

Spuds, sports and a perfect feel for their market helped Anheuser-Busch place three brews among the top five of 1987.

TRAVEL: CARNIVAL CRUISES 101

They offered luxury for the little guy and thereby caused a revolution in the travel field. The tactic also caused some smooth sailing for the cruise line, with net profits up 56% in 1987 over the previous year.

ENTERTAINMENT: PARAMOUNT 109

Their boffo box office, home-video victories and triumphs in syndication and on network have one thing in common: true marketing finesse.

DEPARTMENTS

PRO FILES 4

Fallon's new media director; Sunbeam loses Saxton, gains Smith; and ABC's Wurtzel takes a hot seat.

DEBUT 10

Memories comes into focus at Diamandis Communications, and a second attempt at an all-ad cable network.

PRINT BEAT 17

INAME: Targeting big buys . . . Think national, sell local . . . Inserts in the bag . . . Auto tune up . . . Politinets. Also, *McCall's* mirror.

LETTERS 20

A recruiter objects, her client protects, a source salutes, a friend says boo and our errors are aired.

March 1988, Vol. 23, No. 3

Cover illustration by Doron Ben-Ami

FREEZE FRAME 24

Do those ads on videocassettes make an impression? One firm is trying to find out. Also, sponsors take center stage in some cable fare.

DIRECT MARKETING 28

Wunderman wins four creativity awards, and women discuss career options in direct marketing.

CREATIVE CONCEPTS 30

That voice you hear is a woman's. Will her spot sell the product?

ON THE DOCKET 130

What's in a label? More and more as food marketers make the most of nutritional claims for products.

BROADCAST BEAT 135

TAB analysis of '87 spending . . . Late-night . . . Up with ads . . . Sex on tv: Often enough for ya'?

SALES PROMOTION 138

Industry doers discuss the value of zeroing in on a target.

TOOLS OF THE TRADE 140

A research team defines the link between readers' involvement and ad effectiveness.

POINT/COUNTERPOINT/POLL 144

Some insights into the clutter question are offered.

BOOKS, ETC. 146

The Big Story bares the soul of America's favorite retail operation: Sears.

ECONOMIC EYE 148

Magazine investments, the Media Cost Index and *Cable Facts 1988*.

LAST WORD 152

How did our 1986 Marketing Successes weather '87? Take a look.

AS THEY SEE IT

MEDIOLOGY *David Lehmkuhl* 117

A bit of digging can uncover a wealth of insights for the media planner.

MAGAZINES *Michael Gross* 118

While audits of special-interest publications makes sense, they could cost more than was bargained for.

RESEARCH *Steve Sternberg* 122

BJK&E offers one formula for factoring in ad exposure via VCR playback.

MARKETING *Stephen Martin* 124

Seems simple enough — define your objective before working out a plan.

RADIO *Sam Michaelson* 126

The computer has allowed buyers and sellers to go beyond the numbers to make the most of the radio medium.

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WITH FANFARE...

It's time to unfurl the flag, blow the trumpet and announce the year's Top Marketing Successes. This year, our lineup features some of the best-known corporate names in America.

That's one of the things that distinguishes 1987's winners from previous years. Usually, we have a couple of "mega" companies on our list and a good sprinkling of the smaller, more entrepreneurial ones that tend to be the market shakers. But in 1987, at least, it was truly the market leaders who defined leadership.

Frankly, it was a dull year. A majority of marketers continued 1986's sideline sitting, and while they introduced plenty of "new" products, most of them were fairly tame line extensions. New flavors, packages, sizes: they're the stuff that may be good for the overall brand but hardly the kind of things you polish the crown for. While this has often been a tactic of larger, hedge-your-bets marketers, even the smaller, more innovative companies copied this stance in 1987.

This was surprising, because when you look at the big picture, things were rather good. The economy continued to chug along, the new tax law promised to put more dollars into corporate coffers and consumers were still waving their plastic enthusiastically. Though the stock market thud certainly put a damper on things, it didn't occur until October, too late to affect 1987 plans. The deficit and the pace of "unfriendly" acquisitions, which have been blamed in the past for corporate caution, were really not any better or worse than they have been for the last three years.

So what was the problem in 1987? Maybe it's that the price of entry for something really bold has just gotten too damn high. Getting shelf space has become an expensive nightmare. Add on the cost of advertising and promotion, and a $25 million marketing budget is probably conservative. That's not counting what it actually costs to produce the product, or whether it will indeed tickle the capricious consumer's fancy.

Thank goodness our winners were not daunted by these obstacles and showed their moxie in 1987. As usual, we had a couple of tough calls in several categories. To separate the winners from the runners-up, we went first to our basic criteria. To award the accolade Top Marketing Success, we consider only companies or brands that increased their market share in a meaningful manner; turned around a fading position through use and execution of a canny marketing strategy; introduced a major new product that had a beneficial impact on the company, bested the competition or kept rivals at bay; or accomplished some other marketing objective, such as consistently remaining at the top of an industry, regardless of business conditions.

With these objectives, we fanned out to uncover who was the best in 1987. We polled readers, industry analysts and specialists. Then the editorial staff weighed the merits of one potential honoree against another. Armed with good research, we then made some subjective judgments.

Several of our 10 winners (and two runners-up) were already on top of their industries and in 1987 made moves that strengthened their grip.

For example, Kellogg has long been the leader in the cereal business but had a reputation for being old-hat. Well, read how the company opened up the hottest new segment in the business — adult cereals — and the roles innovative technology and advertising have played in that success.

By the same token, Anheuser-Busch made itself the obvious choice in the alcoholic-beverage category. The brewer has long reigned as "The King of Beers" but had its castle shaken in 1987 by a scandal that saw many of its top executives exiled. Nevertheless, barely skipping a beat, its Budweiser brand family soared, thanks to some grass-roots marketing and a canine character named Spuds.

On the other side of the coin, take a look at how Suzuki and Carnival Cruise Lines have shouldered aside the competition to make places for themselves. Or how Nike Inc. has essentially bet the company on its new Air line of athletic shoes.

The Marketing Success issue is one of our favorites, because we get to see and assess ingenuity at its best. This year was no exception. Though the field may have been narrower, our winners stand out, even under endless scrutiny. We applaud them and say, let the fanfare sound! ■

VEG OUT!

Salad days and Mac Tonight join burgers and fries to push McDonald's share to a new high.

by Joe Mandese

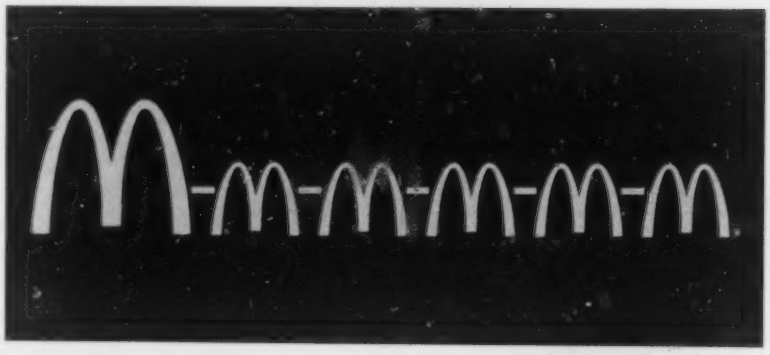
You probably never thought there'd come a day when vegetarians had a reason to go to McDonald's — an eatery that evokes the image of "two all-beef patties, special sauce, lettuce, cheese, pickles, onions on a sesame seed bun." For that matter, it was equally difficult to imagine that one of the hottest ad campaigns of 1987 would be a McDonald's spot featuring a piano-playing moonhead singing an updated version of "Mac the Knife."

Yet these and other equally remarkable events came to pass for McDonald's in 1987, a year when the normally conservative marketer had great success breaking rules and bucking trends. Though McDonald's could arguably be characterized as a marketing success story in just about any year, the fast-food champ clinched 1987 by bucking the industry's most significant trend: flat or declining sales.

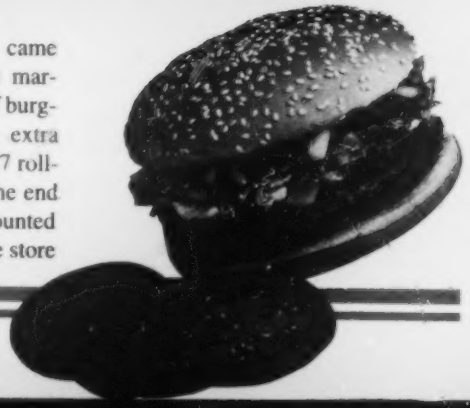
"The industry environment continued to be weak throughout 1987, and McDonald's continued to be an extraordinarily consistent and strong performer," effuses Jay Freedman, a restaurant industry analyst for Kidder, Peabody & Co. "They in essence took advantage of the weakened environment to pick up market share versus the rest of the fast-food segment."

Share gains indeed. According to *Nations' Restaurant News*' 1987 "Top 100 Chains" report, McDonald's upped its already dominant market position by nearly two share points in the past year to 47.5% of the entire burger segment. All other major burger chains, with the exception of Hardees, were either flat or down.

As the rest of the burger industry went cold, McDonald's increased its systemwide sales by about 28% to $14.1 billion. Also, despite the poor peformance of restaurant stocks, Kidder, Peabody's Freedman says investors can count on McDonald's to produce a 6% real-growth rate.



While most of that growth came from the consistent, aggressive marketing of its staple product line of burgers, fries and soft drinks, the extra boost came from the chain's 1987 rollout of prepackaged salads. By the end of nine months' time, salads accounted for a very crunchy 7% of average store



MICHAEL L. ABRAMSON

McDonald's David Green (left) and Leo Burnett's Jerry Conner savor the taste of salad success.

sales nationwide.

"[Salads] did not cannibalize on existing product lines and, in fact, may bring in new people," notes Joseph Doyle, an analyst with Smith Barney, Harris Upham & Co. According to industry analysts, about half of McDonald's salad business came from incremental sales. Moreover, unit volumes for McDonald's other product lines performed as well or better than salads. In other words, customers not only bought the Big Mac and fries, they added a salad to the repast.

The introduction of salads clearly was the single most important marketing development for McDonald's in 1987. "They were once again first to recognize what consumers wanted and first to figure out how to deliver it conveniently while maintaining quality and cost controls," explains Tom Frank, a partner and principal of The New England Consulting Group (NECG), Westport, Conn.

Indeed, the idea of offering salads was no great marketing innovation. Everyone from the corner food store to taco chains have been playing upon the public's supposed interest in less fatty, more healthful meals. But the way in which McDonald's does its lettuce-and-tomato run is quite different from other folk. Instead of jumping into the messy salad-bar business, as its competitors have over the past few years, McDonald's spent its time testing salad-bar alternatives. And by the time it was ready for the national rollout of prepackaged salads, the climate was absolutely perfect.

"With AIDS and everything else, they couldn't have hit a better time to market [a prepackaged salad]," notes Dick Pyle, an analyst with Piper Jaffrey, Hopwood, Inc. "They introduced the perception of freshness and quality and cleanliness."

Besides striking a chord among consumers, prepackaged salads enabled McDonald's to avoid many of the operational pitfalls that have plagued the salad businesses of its competitors. Outlines NECG's Frank: "The problem with salad bars that everybody else missed was that if you put one in your store, you're making a big capital investment that takes up a lot of space. Secondly, you're leaving it up to consumers to quality-control and portion-control their own salads. Thirdly, you're opening the potential for tremendous store cleanliness problems, because those salad bars are sloppy. And finally, you're building extra labor into the system to clean them up and stock them and restock them."

Another equally important element the competition overlooked and McDonald's grasped was that by packaging salads, it could sell them through the lucrative drive-in window and take-out route. According to industry statistics, drive-through sales can be more than 50% of a store's business.

McDonald's innovative salad packaging also fit nicely into its point-of-purchase display plans. The clear-plastic salad containers are stacked neatly behind restaurant counters in glass-enclosed refrigerators, and stores are emblazoned with signs promoting "fresh salads" in shrimp, chicken, chef's and garden varieties. The suggested prices for each range from $1.65 to $2.79.

While the salads would seem to sell themselves, McDonald's, its national agency Leo Burnett, its 157 local advertising co-ops and their 72 local ad agencies worked in marketing tandem to guarantee that consumers were aware of them. The rollout began when the burger chain whetted media appetites with "edible press kits" that included sample salads, a public-relations concept that came from one of McDonald's local agencies.

True to its form as America's largest advertised brand, McDonald's backed the salads with heavy tv support. More than 90% of the nearly $400 million McDonald's spends annually goes into network and spot-tv buys.

Salads also got the backing of an increased print budget in 1987. Its magazine spending jumped more than 1,000% from the scant $529,000 spent through the first nine months of 1986 to the nearly $6 million spent during the same period in 1987 (the most recent available figures from Leading National Advertisers). Among the titles used were newsweeklies like *Time* and *Newsweek* and women's books like *Good Housekeeping, Women's Day* and *Better Homes & Gardens*. McDonald's also created a newspaper-supplement budget, spending $1.2 million through the third quarter.

"Salads played a major part in something that was very visual," says McDonald's vice president/national marketing David Green, explaining the increased emphasis on print. "We found in this last year that magazines have been able to help us, and the messages there have been primarily in the salad area — and in the good quality, wholesome food area too."

Maybe so, but the fast-food king's corporate campaign, which touts the nutritional quality of McDonald's products, ran into trouble with nutrition critics as well as state regulators over the past year. Nevertheless, Green says it is part of a long-term effort that will continue.

But observers rank the nutritional effort as the only blemish on an otherwise stellar year. "The American consumer isn't stupid," notes Smith Barney's Doyle. "I don't think they necessarily want their burgers and fries to be healthy, so don't tell them they are."

Although the nutrition campaign met with controversy, NECG's Frank believes it is part of a major repositioning effort intended to "take the edge off" McDonald's junk-food image.

"There they were with fried foods, grilled foods, beef-oriented products — the epitome of junk food. And people all around them were becoming more health conscious," Frank explains. Plus, they saw other chains, pizza and chicken outlets for instance, making hay by the public view that somehow these products were "healthier" than a juicy, greasy burger. "McDonald's said, 'We've got to get ourselves perceived as not bad,' " says Frank. " 'We probably will never be able to be perceived as healthy, but at least we can do something to push ourselves closer to neutral.' "

The repositioning began with the introduction of Chicken McNuggets, a product that was such a hit that the golden arches now sell more chicken than any other chain except for Kentucky Fried Chicken. That roll continued with the McDLT, which at least added fresh lettuce and tomato to the McDonald's mix. "Once they had lettuce and tomatoes in their operating system, the next logical extension was to go for salads," explains Frank.

Actually, the salads appear to have accomplished what the nutrition campaign failed to do. "It took care of the veto vote — the person who didn't want to go to McDonald's because they didn't want to eat deep-fried foods or a hamburger. In essence, it brought in a more health-conscious consumer," explains Kidder Peabody's Jay Freedman.

Salads contributed a big part of McDonald's 1987 successes, but their "Mac Tonight" campaign also broke new ground. The campaign, which was developed by the McDonald's Operators Association of Southern California with its local Los Angeles agency Davis, Johnson, Mogul & Colombatto, was elevated to a national campaign that received heavy tv and radio play from August 28 to October 1.

Local operators augmented the effort with local campaigns, and in-store appearances by Mac helped to generate double-digit dinnertime sales increases for the chain.

The Mac campaign typifies the relationship between McDonald's national and local marketing programs. While most campaigns trickle down from corporate marketing programs,

Burger Segment 1987 Market Shares

Chain	Fiscal Year Ends	Market Shares (By Fiscal Year) Current	Last Full	Previous
1. McDonald's	Dec.	47.52%	46.40%	45.40%
2. Burger King	May	18.83	18.81	18.58
3. Hardee's	March	10.20	10.09	9.91
4. Wendy's	Dec.	9.43	10.27	11.13
5. Arby's	Dec.	3.20	3.31	3.36

Source: Nation's Restaurant News

McDonald's encourages a two-way dialogue; new ideas often come from local groups. For instance, it was a local store that developed the Big Mac.

Generally, stores contribute 2% of their annual sales to the corporate marketing budget and augment that with local budgets that average 1-2% of sales. Although Mac was developed at the expense of the local McDonald's group, the corporate marketing department came in early on with seed money for the program. In this case, the corporate budget eventually reimbursed the costs of every market involved in developing the campaign.

It is because of this cooperative relationship that franchisees don't hesitate to kick in a little extra to make a national program work. For instance, the Southern California co-op placed heavy local media dollars and ran extra sales promotions when the corporate marketing department introduced salads in the area. "We will bend over backward to help national make a success out of any program," says Bill Brownstein, president of the Southern California Operators Association. "We enhance the radio and television in conjunction with the national budget, and we go to other media such as billboards, because this market calls for that kind of approach. That doesn't come from [McDonald's headquarters]. It comes straight out of our local budget, but the synergistic effect is great."

As a result, the salad introduction and Mac Tonight campaign exceeded goals, as did several other significant promotions, including a Monopoly-game-based sales promotion effort. That one was so successful, McDonald's is teaming up this year with Oldsmobile and Sears to expand the program in a joint effort that will be backed by an estimated $70 million in ad spending.

McDonald's Green concedes that it is sometimes difficult to factor out which of McDonald's many concurrent advertising efforts are working on behalf of which marketing goals. But he says the company addressed "eight to ten subjects" during 1987 that all came under their corporate credo: "Food, folks and fun."

"We want all the commercials and campaigns we do throughout the year not to be separate and distinct but to add up to something at the end of the year that cements the focus we have on the customer," he explains. "Sometimes it's warmth. Sometimes it's upbeat. Sometimes contemporary. Sometimes it's appetizing. Sometimes it's promotional. But it all adds up to something at the end of the year that is clear and focused and not disjointed."

McDonald's

Media Expenditures
January-September 1987 (000)

	1987	1986
Magazines	$ 5,952.7	$ 529.4
National Sun. mags.	1,235.7	–
Network tv	152,854.4	145,876.9
Spot tv	93,999.4	94,080.7
Spot radio*	3,629.6	3,850.3
Outdoor	5,412.5	5,412.5
Network cable	1,296.9	1,353.4
Total	$260,751.6	$245,823.8

*Sources: Leading National Advertisers; *Radio Expenditure Reports. Media Records doesn't report quarterly newspaper expenditures.*

The company must be doing something right, because it consistently registers high among industry ad-awareness scores. According to a McDonald's presentation to the investment community, the company spends 34% of the fast-food industry's total ad dollars yet generates 46% of top-of-mind awareness.

McDonald's ads also rank consistently in the top-ten listing of Video Storyboard Test's (VST) favorite-tv-campaign survey. They placed third, for instance, in the fourth quarter.

But it appears that the company pays dearly for that awareness. According to VST's calculations of the gross advertising impressions McDonald's generated from its weekly tv spending, the company earned only a C-minus grade in *Adweek* magazine's 1987 Marketer's Report Card issue.

"They shoot marketing-wise with a cannon," explains Pete Romeo, news editor of *Nation's Restaurant News*. "When they came out with Mac Tonight, everyone wondered, 'How will it do?' The answer was, 'It doesn't really matter.' If you throw enough dollars behind it, you're going to make the campaign a hit."

But no one disputes McDonald's bullseye marketing aim when it comes to distribution. It's well known that the Oak Brook, Ill.-based company's real estate selection is about the best in the business. In fact, it has averaged a new store opening every 17 hours over the past 12 years. Now that the fast-food arena has become so crowded, McDonald's, along with rival Burger King, are in the forefront of opening some pretty surprising storefronts. It's not unusual to find the golden arches in schools, airports, highway rest areas, military installations and even hospitals. And many times, it's been the school or hospital itself that came to McDonald's and asked it to take over its cafeteria operations.

It's the ability to go just a little farther than others, whether it be in supporting charitable causes such as the Ronald McDonald houses for young cancer patients or adopting innovative promotions, that has put the shine on its business and civic reputation. Though many observers worried a few years ago that McDonald's growth would slow down, what with all the competition, new eating habits, the dearth of new domestic outlets and the difficulty huge organizations have in adapting to new trends, the company has answered all the challenges. It has weighed in with an 11.8% compounded growth rate for the past five years, and its international expansion is just getting into high gear (international profits were up 30% through the third-quarter of 1987). New products, ad campaigns and convenient outlets have kept the customer satisfied and competitors as green as the new salads. ■

AGAINST ALL ODDS

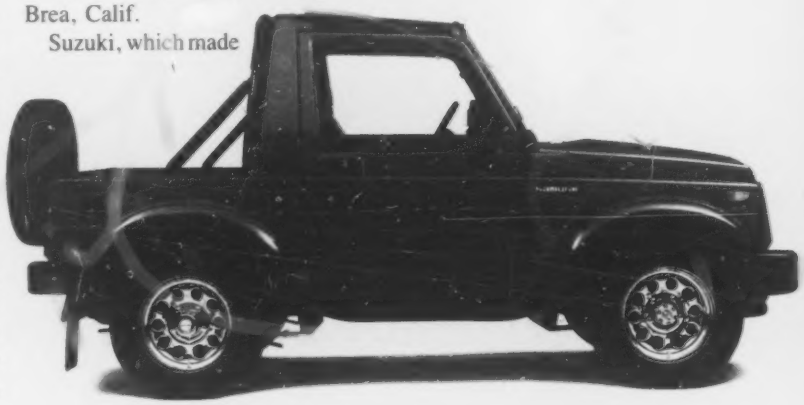
No auto since the VW beetle has created such a sensation. Large real-estate developers, career women, surf bums and college students are having a ball in today's cult car, the Suzuki Samurai. They're painting them pink and dressing them up with chrome wheels, fog lamps and spare tire covers. And they're cruising everywhere with the top down in their four-wheel-drive baby jeeps — Manhattan, the desert, the mountains, the beach, Hollywood. Samurai fans have even formed clubs for swapping Suzuki stories.

The strange thing about it is that everyone thought the Samurai would be today's Edsel. "When these oddball vehicles first came out, nobody gave them a nickel's chance of success," says Maryann N. Keller, a vice president and automotive analyst with Furman Selz Mager Dietz & Birney.

There seemed to be a million reasons for it to fail. It got comments such as, the ride is washboard-like; it's too small; very impractical; kind of ugly; just for tire-squealing teen-age boys and, by all comparisons, inferior to the rugged, functional jeep.

How wrong the critics were. Like the Beach Boys song about the "fun, fun, fun" of taking off in a T-Bird, the Samurai has struck a universal chord by putting some fun back into driving — and at an affordable price of about $7,995. "We've created a national market for a small jeep by presenting it as an antidote to econobox boredom," says N. Douglas Mazza, vice president and general manager of Suzuki of America Automotive Corp. in Brea, Calif.

Despite the skeptics, the little Samurai has carved itself a big piece of the U.S. car market.



Suzuki, which made its U.S. name selling motorcycles, turned over the keys to 81,000 of the baby jeeps last year. This was almost double its 1986 record of 48,000 sales — the best model launch of any Japanese auto manufacturer. Fresh and original advertising also helped the Samurai to become the top-selling convertible on the road last year, passing the Chrysler LeBaron.

Its success has been so complete that demand for the warrior-named

by Rebecca Fannin

Samurai's outstripped supply. In fact, it wasn't even available in the Northeast until summer, and it took until fall before it was in the Midwest. Dealers had to wait until October before they could get some on the lot to sell. "Everyone has been surprised at the numbers, even Suzuki," comments Dick Taylor, marketing plans manager for Jeep at the Chrysler Corp.

But it didn't happen by serendipity. "The key to its success has been to look at it not from what it was but from what it could be," says Mazza. The veteran of automaker Mitsubishi was the first employee of a 35-member team hired by Japan's Suzuki Motor Co. to launch the Samurai just two short years ago.

The logical solution would have been to market it as a sport-utility vehicle. The Samurai does resemble a Jeep Wrangler, but it has a smaller four-cylinder engine and a sticker price about $3,000 less than the competition.

What prevented Mazza from going this route, however, was that he kept being reminded by focus groups that all types of people found the Samurai nearly irresistible — a unique image not normally associated with vehicles used for hauling lumber and crossing creeks. "We're not really competitive with the Samurai," affirms Chrysler's Taylor. "We've done studies of our owners and the Samurai's owners, and people are buying them for different reasons. The jeep is considered the gold standard in four-wheel drive, and the Samurai is a fun little vehicle," Taylor adds.

Mazza's eventual decision not to market the Samurai as a jeep, truck or car has been at the heart of its continued success. "People look at this car, and they customize it," says Mazza. "There are 90 options that you can order at the dealership, and some will equip it as a macho off-road vehicle and others as a cute convertible." The Samurai's low price also has helped to broaden its appeal. In fact, 40% of its buyers previously owned a subcompact car, and the Samurai has stolen 20% of sales from purchasers of sport trucks, who also consider price a

IF IT AIN'T BROKE . . .

It may take some by surprise, but the real success story at the Ford Motor Co. is not just the zooming popularity of the Taurus and Sable but the company's flair for selling *old* models.

Last year, nearly a third of Ford's sales were cars that haven't been redesigned since 1980, points out Maryann Keller, an automotive analyst for Furman Selz Dietz & Birney. "It really makes General Motors mad," Keller says. "There they are redesigning their cars year after year, and Ford is making tremendous strides at GM's expense."

Despite a gloomy year that saw total car sales dip 7% to 15.1 million units, Ford was the only one of the Big Three automakers to improve upon its 1986 results. Ford increased sales by 1.5% and climbed to a 23.4% share of the market from 21.2% the previous year. Meanwhile, GM's sales were off 16.3%, and its share was down from 38.8% to 35.3%.

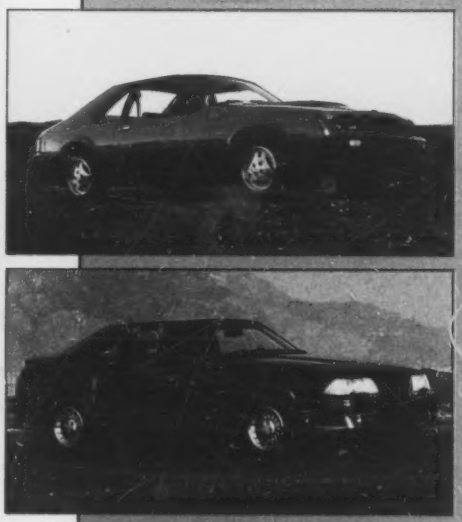
What is Ford's secret? "It's the whole image of our company," notes Ross Roberts, general marketing manager of the Ford division. "Our quality continues to improve, and we've also been helped by our new rounded styling." Besides the Taurus and Sable, the Tempo, Topaz and Thunderbird have a contemporary jellybean look.

But Ford also has to be given a nod for doing a better job at defining market segments. That is in drastic contrast to GM, which has been criticized for making even Cadillacs resemble Chevrolets. "Ford has realized that the rounded styling may be too radical for some, so what they have done is to allow some of their good products to evolve," says Keller.

Take for example the classic Lincoln Town Car. It is advertised as both a luxurious and a unique automobile — a subtle swipe at look-alike Cadillacs. The result? Cadillac sales were down by 13%, but the Town Car showed less than a 1% dip. Likewise the Mustang, which is essentially the same as it was ten years ago (except that now it has a bigger engine). The sporty car's sales were up 10% last year. In addition, the Crown Victoria — a large, boxy car with outdated technology — turned in a good year by unashamedly marketing to greying folks who enjoy a cushiony ride. Its nearest competitor, the Buick Electra, saw sales slide 27% while the Crown Victoria's sales were off a less bumpy 9%.

This is not to slight the Taurus or Sable. Sales of these models were up a spectacular 35% on an already enviable volume of 340,000 the year before. "Last year, more people made associations with the modern styling of the cars, and we were also helped by personal recommendations and the numerous media awards the cars received," says Roberts.

Increased advertising of about 20% also played its part. Roberts says the ads were more pinpointed last year, highlighting such awards as *Motor Trend*'s Car of the Year and a citation by *Car & Driver* as one of the 10 best new models.



The Mustang, then and now. Top, 1979; bottom, 1988's GT.

priority. Less than half the Samurai's sales are from the sport-utility segment.

One of the unplanned surprises is how much women love the Samurai. Some 40% of its drivers are female, one of the highest rates in the automotive business. "It's amazing that it appeals to all kinds of people," says Hanley Dawson, owner of the Patrick Suzuki dealership in Libertyville, Ill. "We thought it was a young person's car, but the buyers are everyone from the wealthy to the factory worker."

The Samurai phenomenon has occurred with the help of advertising that is as lighthearted as the vehicle itself. (The tagline is, "Never a dull moment.") When advertising agency keye/donna/pearlstein got the account in late 1985, it had never worked on an automotive account. But that didn't hurt them. "Suzuki told us not to give them typical car advertising," says Leonard Pearlstein, president and chief executive officer.

The agency certainly has complied. There's the billboard for Suzuki that warns the car may exceed 55 smiles per hour and the one that claims the Suzuki is for the car sick. There's also a tv spot with the Samurai being playfully maneuvered through a mock test track.

"We were blessed by the uniqueness of the product," says Pearlstein, who had only four nail-biting months to work on a campaign before the car's introduction in February 1986. "Most of the time, you are doing advertising for parity products that are also tardy arrivals."

Over the past year, the Los Angeles agency only has had to toy with the introductory campaign for the Samurai. While the launch commercials primarily showed the Samurai as an exciting new type of vehicle, the new executions go a step further by depicting picnicking families, sporty blondes and black teen-agers getting a kick out of the vehicle.

The media schedule has been doctored more heavily, however. During the first year of sales, Suzuki spent nearly 90% of the $10 million ad budget in spot television and enthusiast magazines. But in the last quarter of 1987, as the vehicle moved closer to national distribution, the budget was lifted to $37 million, and network television, syndication and cable took the place of spot buys. The Samurai remains on such shows as *Cheers*, *Night Court*, *LA Law*, *Late Night with David Letterman* and *Saturday Night Live*. But now it's also on the syndicated *Star Trek: The Next Generation* program and cable's Arts and Entertainment Network, where the buy is strictly comedies. "There's a lot of action programing to reach a younger market," explains vice president and media director Alan Hyman.

Efficiency plus impact remains a major consideration. Half of the network tv buys are 15-second spots, a practical choice because "we felt we needed only a reminder message," says Hyman. Additionally, the agency has avoided targeting women with specific media buys, so that it can pour more money into television.

One of the crafty elements of the media schedule is a continued use of outdoor. The medium absorbs a hefty 13% chunk of Suzuki's budget. "We had considered radio to reach our target of 18-to-34 year-olds, but we needed to go for the visual impact," he notes. Outdoor also gives Suzuki the opportunity to plaster billboards with 800 phone numbers to direct buyers to nearby showrooms. Suzuki has found that nearly 40% of people who have called an 800 number eventually have bought a Samurai.

The rather large advertising budget continues to have the important goal of keeping the Samurai from being a fad.

U.S general manager Mazza (left) and adman Pearlstein's approach focuses on the fun of it.

"That has been a concern, so we are trying to present the Samurai in a permanent way," says Suzuki's Mazza. The national budget is supplemented by regional dealerships, which chip in 2% of invoice per vehicle.

Lending hope that the Samurai will not go the way of hula hoops and pet rocks is the fact that new markets are buying the Samurai at the same rate as the first ones had, despite a price hike of $1,000 last year due to the increase in the value of the Japanese yen. The car was introduced in the Sunbelt areas first, where it might have been expected to take off. But when the Samurai moved into the Northeast and the Midwest during 1987, it still showed no sign of weakening. In fact, its appeal as a fun vehicle was reaffirmed. Although Suzuki hadn't expected it, more convertibles than hardtops were sold in those areas, says Mazza.

But the Samurai's appeal as a recreational vehicle has also proved detrimental. After the stock-market crash in mid-October, the Samurai's sales rate slowed. As of last December, there was a 45-day supply on dealer lots. "Generally, if you have a 25-day supply in the automotive business, you aren't meeting demand," says Mazza. "We consider 45 days a healthy rate," he notes, adding that he expects a strong spring season, with 1988 sales of 90,000.

Dealers who got frustrated over not having enough Samurais to sell share his optimism. "The Samurai sells well in either the snow or the sun, and sales fluctuate when the seasons change," notes Suzuki dealer Hanley Dawson in Libertyville, Ill.

With a big investment at stake, dealers have good reason to see the bright side. As required by Suzuki, most already have built separate showroom and servicing facilities for the Samurai.

Because of the track record they've had with the Samurai, the dealers can't be too unhappy. Every single one made money selling the Suzuki during the first 12 months it was on the market. That hard-to-beat claim has an additional 2,000 dealers begging for an application.

A key reason for the profitability is that Suzuki has the second-highest ratio (Hyundai is first) of vehicles-per-dealership — about 470 for every location. But high profit margins on Samurai accessories is another factor. It isn't unusual to see a Samurai loaded with $2,000 worth of extras. Dealer Jeff Wooley of Superior Suzuki in Tampa, Fla., figures profit margins are about 10% to 20% better on the Samurai than on a stripped-down passenger car.

To foster good relations with dealers, last Christmas Suzuki promoted the accessories as gifts. Owners were sent a direct-mail brochure offering everything from sheepskin covers to roof-top racks for skis. Accessory sales climbed 8% as a result.

Dealers have been making a lot less on servicing the vehicles, however. The Samurai is rarely in the shop. "Suzuki asked us to dedicate 10 stalls [repair areas] for servicing," says Wooley. "We usually only use one."

Ads take a giddy, lop-sided view of driving a Samurai.

The vehicle's reliability is supported by good scores on the customer-satisfaction index compiled by automotive research firm J.D. Power. The Samurai ranks fourth out of ten sport-utility vehicles surveyed during 1987. "Its strength is in the product-quality area," points out consultant Linda Hernice. "It is a little weaker in service, primarily because the small dealer network is very spread out and has been in a sold-out situation."

Suzuki is making plans to fill holes in its dealer network this year. Japan's Suzuki Motor Company plans to have between 250 and 300 dealers in the U.S. as pockets of the South and the far Northwest are opened and former areas are penetrated further. Other markets such as Wyoming and Montana are on hold while Suzuki plans to broaden its product lineup.

A major step toward that goal occurred last August when General Motors Corp. and Suzuki entered a joint venture to build 200,000 vehicles a year in a Canadian factory. Trade quotas, which currently restrict Suzuki to a meager 3,000 vehicles per year, would also have to be eased. Suzuki, a privately held corporation, has been willing to sacrifice profits for growth and has been paying a stiff 25% tariff on most of its imports.

By 1990, Suzuki plans to have a larger version of the Samurai, a small passenger car and a sports car. "Our target is to have sales of 305,000 in the U.S.," says Mazza. That would make it the seventh largest U.S. automobile marketer in the country, adding to a growing list of powerful foreign competitors.

Judging by the success of the Samurai, that just might be realistic. ■

Suzuki

Media Expenditures
January-September 1987 (000)

	1987	1986
Magazines	$ 220.8	$ 83.7
Spot tv	12,143.8	6,099.4
Spot radio*	435.7	1,563.8
Outdoor	267.4	–
Total	$13,067.7	$7,746.9

*Sources: Leading National Advertisers; *Radio Expenditure Reports. Media Records doesn't report quarterly newspaper expenditures.*

RUNNING ON AIR

Nike hopes to trip up Reebok and reclaim the top slot in the footwear field. The Air line may make all the difference.

by Paula Schnorbus

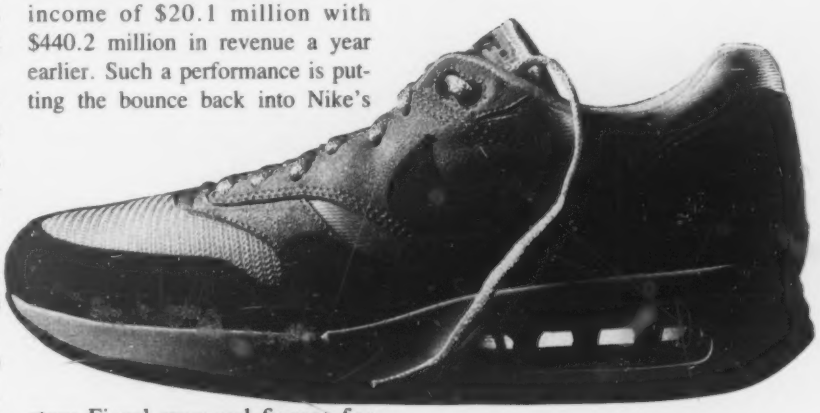
They say they want a revolution . . . well, well, you know, Nike wants to change the world.

That world is the athletic-footwear market, an area Nike Inc. once lorded over with an imperial air that some say bordered on arrogance — until it was caught flat-footed. Along came Reebok International, with its fashionable leather aerobic shoes, and danced away with the biggest sneaker share in 1986.

Now a humbled Nike is out to reclaim its crown. In March 1987, Nike brought out its artillery, Nike Air, a new line of 10 performance athletic-shoe models unified by a patented system of air cushioning that consists of "special gas" shot inside the sole and marketed as an injury-reduction device. Nike Air, says Tom Clarke, vice president, marketing, is the Cadillac of Nike's sub-brands, priced between $45 and $110 and available for sports ranging from running to soccer.

Armed with a $20 million marketing budget — a good deal of which went to a few controversial ads that ran on network tv, a switch from the sneaker industry's usual vertical magazine campaign — the Air Revolution began and an invigorated Nike has taken off.

For the first half of its fiscal year ended Nov. 30, — the period of the Air line's rollout — Nike had profits of $43.6 million on revenues of $517.2 million, compared with net income of $20.1 million with $440.2 million in revenue a year earlier. Such a performance is putting the bounce back into Nike's step: Fiscal year-end figures for 1987 (12 months ending May 31) had left Nike dispirited, with total sales of $877.4 million, down 17.9% from 1986. Net income was down 39.4% to $35.9 million.



Nike says of the original Air line (now there are 50 Nike Air styles), 1.1 million pairs, or $42 million wholesale, were sold last year in the U.S. market. Futures orders for delivery from December 1987 to April 1988 are up 74%, reports Keri L. Christenfeld, vice president, research, at Cowen & Co. And Jim Hartmann, vice president, director of buying at Foot Locker, an athletic-footwear retailer with 900 stores nationwide, enthuses that to say Nike Air sales are "terrific

would be an understatement."

Christenfeld, who was writing a report about Nike at press time, says she keeps raising her estimate of what Nike's 1988 domestic-footwear sales will be when its fiscal year ends in May. She predicts $733 million for the footwear division, up 30% from Nike's droopy fiscal 1987. "Nike connoted to the public what the Air line stood for: performance, quality, comfort and high technology, the *ultra* of sneakers," she praises. "That's ingenious and very shrewd from a brand-management point of view."

Nike was part of what could be called an earlier revolution. Since 1982, when Nike unseated Adidas as the top athletic shoe, Nike was running faster and jumping higher than anyone in athletic footwear, based on the power of its running shoes, which were designed for fitness but used mostly for fun as the casual shoe to wear.

But fashion is fickle, and an apparently narcoleptic Nike wasn't alert enough to notice. Nike got kicked behind the knees by Reebok's successful new soft leather shoes for aerobics, the fitness trend at the time. Another feather in Reebok's cap: The shoes were directed at women, an audience that Nike neglected.

Guess who was stuck with 22 million pairs of unsold running shoes? So in fiscal 1985, Philip H. Knight, founder and chairman of Beaverton, Ore.-based Nike, took over the reins as president, and Nike started getting back on the race track. The price of sneakers was reduced to get rid of the voluminous excess inventory, the domestic workforce was cut 10% and management was realigned and divisional vice presidents created to report to corporate officers rather than directly to Knight.

Meanwhile, Reebok kept thundering along, and by the end of 1987 it had almost a third of the sneaker market, compared with Nike's 18.6%, according to John Horan, editor and publisher of *Sports Management News*. The third largest market share drops down to the single digits with Converse at 8.1% in 1987.

Clarke considers Air the Cadillac of Nike shoes.

Rather than try to copy Reebok's more fashion-conscious sneaker statement, Nike went back to its roots and concentrated on performance. "Air" wasn't a new concept to Nike. It had been used as early as 1978 for Nike's running shoes, but it had never been "perfected," says Clarke, who had been head of Nike's sports-research laboratory.

The Air Jordan, a basketball shoe that pays homage to NBA star Michael Jordan, raked in more than $100 million in sales in fiscal 1985. Although it had the air technology, Nike couldn't continue making a killing with one shoe. It didn't help that the basketball player got hurt and had to stay out for the season. "We hadn't planned very well what we would follow it with, and then there was the injury to Michael, boom, boom," says Kevin Brown, Nike's corporate communications director. "We didn't do our homework very well. Jordan is strong, but it's only a basketball product."

Clarke recalls that in the spring of 1986, Nike's product-development staff was redesigning parts of the air sole to improve its overall performance. "The product design and development breakthrough that started to happen was part of the gelling of the whole Air concept," says Clarke.

The following summer, the Air Revolution marketing program was devised. For the tv spots, there even was a battle song of sorts. Nike negotiated to use the Beatles' "Revolution" as its ad theme — in the original version. Use of the record in Nike Air commercials caused a revolution of its own when band members filed suit against Nike for using the song for commercial purposes. But so what if Nike is being sued? So reasons Robert E. Carr, editor and co-publisher of *Sporting Goods Business*: "The lawsuit is great publicity for them."

Nike's now-infamous commercials — the option on "Revolution" runs out March 22, and Nike will not renew — were shot on black-and-white, super-8 film and depicted professional athletes and "regular people" of all ages involved in sports. Kelley Stoutt, an account executive at Wieden & Kennedy and Nike's account supervisor, says the initial spots last spring, one 30 seconds and the other 60 seconds, were made to create a spark, "a light-'em-up magic. There's something going on here, and all these people are part of it."

These were supported by horizontal ads, some of which were eight-page inserts appearing in *Glamour*, *Sports Illustrated*, *Rolling Stone*, *People* and *GQ*, to name a few, that explained the whole Nike Air line. Vertical ads, which Nike usually employs for its products, were used to explain individual Air shoes, such as the Air Max, in *Runner's World*.

In addition to the Air line, the print campaign for last fall focused on a new cross-training shoe with the Air tech-

nology. That shoe — with a price range of $49.95 to $75 — is for those who have a more varied workout program that includes, perhaps, a mixture of running, baseball and aerobics. Nike also released a children's Air line, priced between $35 and $45. Inserts for ads explaining the technology were in, for example, *American Baby* and *Parents*.

The Beatles' "Revolution" was used for two more 30-second commercials, one for the cross-training shoe and the other, the children's Air shoe. A 60-second spot features the Air line for women.

Nike has always done billboards but not always in the traditional sense. The company likes to paint esoteric ads on the sides of buildings in cities. The only words on a billboard or wall will be the Nike Air logo. The scene may be of professional athletes or, again, "regular people" involved in sports for a "subtle," six-story advertisement.

"Nike treats its customers and audience with a great deal of respect and assumes the consumer knows a great deal about sports," explains Stoutt. "Those people don't need advertising. It's almost like a dirty word." So you won't see a billboard loaded with Nike Air shoes and their price points.

Retailers feel that they are being given more respect too. In the past, there were complaints of arrogance on Nike's part. "They used to just walk out and say, 'Here's the deal,' and not take any crap from anybody," recounts John Horan. One welcome change is an upgraded, computerized ordering system. Says Terry Apple, footwear buyer for Athlete's Foot General Sports Ventures Inc., "The customer-service people have helped out tremendously. It's nice when you call, and they can tell you what the status of an order is. They're doing a better job of forecasting their needs." Retailers are able to order shoes from Nike through a toll-free number, and the order will be delivered within 24 hours.

A futures program for orders — which guarantees that the price of a delivered product will be the same as when the order was placed months before, not to mention more dependable deliveries — had been a part of Nike before the introduction of the Air line.

Nike also is vehement about where Nike Air is sold. It won't be sold by mail order to avoid discounting, nor will it be found on a rack with countless other pairs of boxless shoes. Horan notes that Reebok is being distributed through department stores and chains in a big way, and it is no longer at the top of the pyramid, which would be specialty stores, in terms of distribution. "Nike," says Horan, "has reestablished itself there."

Nike's crew of 28 technical representatives are out teaching retailers about the Air line. The reps, who don't handle sales, are given manuals and video material to put across the Nike Air story. Customers who buy a pair get special owners' manuals. "It is the same type of manual you would expect to get with a very expensive car," explains Clarke. "Each shoe has that type of backup to it."

In a recent survey by *Sporting Goods Business*, says editor Carr, retailers were asked, "Which lines do you think are hottest and why?" Carr says that almost 80% picked Nike Air because of the cross-training shoe and the marketing behind the Air line. The No. 2 brand was Avia, a performance line of athletic shoes owned by Reebok. Carr says that Reebok was third, and "it was mentioned just because it's there and it's a big company."

A couple of buyers at large athletic-footwear retailers privately say they expect Reebok's sales to be flat and Nike's sales to be bigger. Horan predicts a "real horse race" this year.

Learning a lesson from Reebok, Nike Air will be courting women in a new $6 million to $7 million campaign this spring, according to Nike's Tom Clarke. The Nike spokespeople wouldn't provide details, but Stoutt says the tv ads will depict women involved in a variety of sports. Nike also is bringing out a line of Nike Air clothes that will color-coordinate with the sneakers. Nike's overall ad budget is $34 million this year, and the company is circulating a booklet to retailers that says last year's advertising was a drop in the bucket compared to this year's, with four times the television and three times the print.

Taking a cue from Nike, Reebok is bringing out its own line of performance shoes dubbed the "energy return system." But one big retailer, who wishes to remain anonymous, says Reebok's "commitment to technology is more words than action . . . I don't think Reebok has established itself as a performance shoe."

Nike's spokesman Brown even insists that Nike Air was brought out because we are in the midst of a fitness revolution. But Harvey Lauer, president of American Sports Data Inc., says, "There is a fitness revolution, but it's not what it's cracked up to be."

Clarke acknowledges that the shoes may be designed for serious runners, basketball players or whomever, "but who buys is a much broader spread. Many aren't going to run in it. I'm sure a lot of people who drive Porsches don't go over 60 miles an hour."

Nike seems to be back in the center court now and even living up to its namesake — "Nike," the goddess of victory. It's anyone's guess if Nike will rest on its laurels, but Hartmann of Foot Locker advises, "They got in trouble once. I don't think it will happen again." ■

THOSE LIPS, THOSE EYES . . .

Noxell made the mass market blush with a new line of smartly positioned and promoted makeup.

In retrospect, the idea *was* a natural. Noxell Corp.'s launch of a slick department-store-like color cosmetic line at mass market outlets and prices is working out beautifully. In a year's time, Clarion, a makeup line for those with sensitive skin, has bounded into hard-to-get drug chains, enticed customers with personalized computer analysis, stunned competitors with an aggressive ad campaign and emerged as the most successful cosmetic debut in over a decade.

The high-flying Clarion ended 1987 with $50 million in sales and a 4.5% to 5% share of the mass cosmetics market. This performance was good enough to nearly smear Almay, the longtime leader in hypoallergenic makeup, which lays claim to 5.2% of the market and $55 million in sales. Indeed, Clarion got off to such a pink-cheeked start and "there was such a clamor for it, they [Noxell] couldn't satisfy everybody," tells Jack L. Salzman, analyst at Goldman Sachs & Co., who had originally projected first-year sales at $35 million. "It was too successful."

For Noxell, this was a very happy problem. Other, more difficult ones might have been expected. After all, the makeup section of the cosmetic market had paled in contrast to all the action going on in the skin-treatment and fragrance sides of the business.

Then, too, though promotional wizardry a là computers that design a customer's ideal look based on personal input had proved a draw at department stores, it was an unwieldy concept for other types of outlets. In drug and discount chains, for example, shelf and counter space is at a premium. Just who would be overseeing Clarion's extensive product line and computer workings? At department stores, sales staff oversees a brand's operations, but in the $3 billion mass-cosmetic market, the mode of sell is strictly pegboard.

by Renee Edelman

And finally, there was concern that Clarion might eat into the sales of Noxell's best-selling Cover Girl line. Though it has a different positioning, a 25% higher price tag and a supposed appeal to audiences older than Cover Girl's teen and

young-adult buyers, the Clarion lineup was still similar to the Hunt Valley, Md.-based Noxell's bread-and-butter brand.

Nevertheless, Noxell spied a marketing opportunity. Company execs were sure they could capitalize on the good reputation Noxell already enjoyed as a vendor with Cover Girl and its Noxzema line of skin products. They also saw that no one was selling a slickly packaged and advertised line of color cosmetics for sensitive skin. Almay was the segment leader, but its attention seemed to be wandering. Its lineup and marketing were dull, and there was internal turmoil. International Playtex, which owned the brand, underwent a restructuring and finally sold Almay off to the Revlon Group in 1986, which itself had just changed hands.

And most enticingly, Noxell executives only had to look at the Clinique division of cosmetic queen Estée Lauder to see there was a wide audience for hypo-allergenic products. Clinique is one of the top-selling department-store lines selling under the brush of fragrance-free, pure products.

With all this in mind, the marketing program then became a series of clear applications. Noxell saw an opportunity in "sensitive-skin makeup with a strong beauty image," says Peter M. Troup, Noxell's senior vice president of marketing. Clarion's personalized computer — the first in the mass market — would lend a touch of science and reassure women that they were making the right purchases without a cosmetician's help. Finally, aggressive advertising would establish Clarion as an important brand.

In the first year, Noxell spent $20 million on advertising for Clarion — a total of $25 million in the first 15 months — says Noxell's Troup, making it the third most heavily advertised brand behind Cover Girl and Maybelline, a division of Schering-Plough Corp. According to Leading National Advertisers, during the first nine months of 1987, Clarion spent $15.3 million on advertising as compared to Cover Girl's $35 million and Maybelline's $34.9 million. Noxell far and away outspent other competitors, including Revlon Group's Almay, Revlon and Max Factor brands, as well as Cosmair Inc.'s L'Oréal.

Since the color-cosmetic market grew only modestly last year, Clarion had to and did take market share away from competitors' more traditional, mass-marketed color lines. This included the showings of Max Factor and Unilever's Aziza. By the same token, the company insists it did not cannibalize its own Cover Girl sales, which

Among the many in marketing, research & development, operations and sales for Clarion: Bottom row (left to right): Edward Jackson, Sam LaFrank, Steven Colnitis, Edward Lorenz. Back Row (left to right): Eugene Levering, Michael McNamara, Nicholas Mumford, Peter Troup, Nancy Mugele, Robert Winters, Barbara Harris, Robert Butler, Gabriel Porres.

Noxell claims rose in the double-digits last year.

Noxell's aim is to make Clarion "the third or fourth largest brand behind Cover Girl" in the mass market, Troup says. Based on units sold, Cover Girl leads with a 21% share, followed by Maybelline with 18% and Revlon with 17%, according to analyst Salzman.

Clarion's comely performance and Noxell's deep pockets have sent competitors back to powder their noses. "Clarion woke up everybody and got them thinking again," says Salzman, who is predicting the brand will grow at least another 20% this year. Industry analyst Allan Mottus says buyers are reporting "more creative ideas out of Maybelline and Revlon that they feel are a direct reaction to Clarion." For example, in late 1986, Maybelline introduced Ultra Performance Pure Makeup, a single foundation for sensitive skin. Maybelline's executive vice president, Gary Mulloy, compliments Clarion's performance, saying "Noxell has done a very nice job of trying to target not just the sensitive skin user," and gaining distribution. Even Revlon got into the act, launching New Complexion makeup and press powder that are both fragrance-free and non-irritating in June 1987.

Many in the industry dub Clarion as the mass-market's answer to Estée Lauder's Clinique, and it is an appellation that Noxell does not take exception to. While marketer Troup says he "admires" Clinique, he adds that Clarion is positioned at a "broader target than hypo-allergenic." Noxell's research shows that more than half of all women identified with sensitive skin. "We feel that more women can relate to 'sensitive skin' than can relate to 'hypo-allergenic,' " he states.

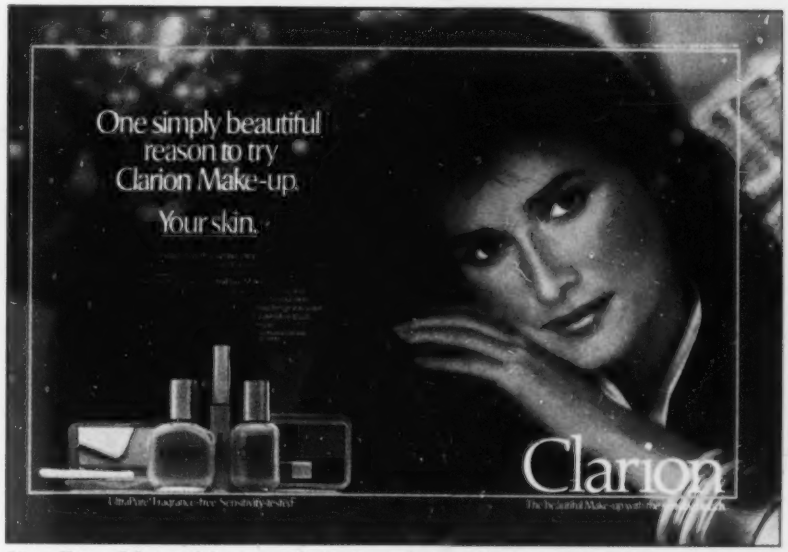
In fact, Clarion never uses the word "hypo-allergenic" in its advertising. "UltraPure," "Fragrance-free," "Sensitivity-tested" are used instead. The theme line, "Makeup so pure, even women with sensitive skin can wear it. And so beautiful, every woman will want to," reaches women who want beauty as well as pure makeup.

Noxell "learned the rules of the mass-market game from Cover Girl," which it introduced in 1961, says F. Stone Roberts, group executive vice president of Lintas New York, who manages the Cover Girl, Noxzema, toiletries, and until recently, Clarion accounts.

Clarion's strategy — "to look like an important, mainstream cosmetic immediately" — is different, as Roberts tells it. Instead of one product at a time, Noxell launched an 85-item Clarion collection "all at once." While Cover Girl advertising has that "authority to build on," he adds, Clarion "came out of nowhere. It had no prior meaning, grasp, authority or identity." Clarion also, unlike Cover Girl, chose not to use celebrity models such as Christie Brinkley or Carol Alt and instead picked one model who would "not be intimidating," Roberts says.

To launch Clarion, Noxell used a "blockbuster effect" of six-page and four-page inserts and printed the inserts on better quality, 60-pound stock. "It's not just a new line of cosmetics," says Len Lipson, Lintas' senior vice president and group director of media planning on the Noxell business. "It's a new line of cosmetics based on the four color groups and the Clarion computer. The consumer had to be made aware all at once of all these factors."

Lintas communicated Clarion's message dramatically and immediately by using prime-time tv specials and magazine gatefolds. "The thing was to be extremely important where we were and to stand out, especially in the beauty and fashion books," says Lipson. Clarion's advertising ran on prime-time tv specials such as *The American Music Awards* and the *Emmy Awards*, and on the "higher-rated women-appeal" programs such as *Dynasty*, *Dallas*, *Moonlighting* and *Family Ties*.



Noxell used lots of four- and six-page inserts in specialty and mass books to herald Clarion's arrival. Above, a recent spread.

Print ads ran not only in beauty and fashion books, such as *Mademoiselle*, *Glamour*, *Vogue* and *Cosmopolitan* "for their beauty and fashion authority," says Lipson, but also in women's service books, such as *Good Housekeeping*, *McCall's*, *Redbook* and *New Woman*, which would "allow us in print to reach the mass audience that we knew Clarion would appeal to." Lintas also chose *People* for "its immediacy and newsworthiness," and *Working Woman*, Roberts says, because Clarion was "capturing the intelligent woman" who appreciates a high-quality product in the mass marketplace.

Thanks to the good relations Noxell

has forged by its salesforce's close supervision of Cover Girl, Clarion found ready acceptance in chain drug stores. Noxell designed a good-looking display that would hold Clarion products as well as an easy-to-use computer. "The cosmetic computer was an exciting new merchandising technique no one had ever tried in the mass market," says analyst Salzman. The Clarion Personalized ColorSystem works as easily as a cash machine. Women answer questions about their skin type, complexion, hair and eye color. The computer then recommends specific Clarion products and color groups from which women can choose.

The trade and even Noxell's competitors have responded favorably to Clarion's computer. "The computer is different. It gives it that department-store image," says Nancy Stone, divisional merchandise manager at Revco Drug Stores, Inc. of Twinsburg, Ohio. "Their computer was a good system to primarily convince the trade" to put the line in their store, says Maybelline's Mulloy.

Consumers such as Joni Dietrich of North Brunswick, N.J., found the computer worked as a "gimmick" to lure her to the brand and to make multiple purchases. "I thought it was rather clever," she says, "so I tried it, and I ended up buying more than just blush: I bought all the things that matched it."

In a fashion-color business, the line is constantly changing and evolving. The collection as of this past January boasts 140 items, including a new eyeliner, new blushers and improved color shades. Last July, Clarion introduced a nail polish and new eyeshadows. As Revco's Stone notes, "If they see an item not moving, they're already changing shades and replacing it with something else."

The company is developing a skin-care line that will probably be ready for introduction in the spring or summer, Salzman says. Troup will not specify whether the products — probably a cleanser and moisturizer — will be tested first or launched nationally.

For all of its success, however, there are some warning signs. Consultant Mottus thinks Clarion sales slowed last year when retailers moved the products from the display units to the wall and that Clarion is missing the repeat purchase. Troup does admit that with the initial heavy sell-in, "maybe there was some sluggishness." Some buyers, in their enthusiasm, overpurchased. In hindsight, he says the company might have been better advised to control distribution more closely. The problem has been corrected, and he adds, according to Nielsen, Clarion's turnover in chain drug stores is "second only to Cover Girl."

Nevertheless, in its insistence on making Clarion a "strong and long-lasting force in the marketplace," Noxell switched the brand's advertising to Leo Burnett. "We're so heavily advertising oriented," Troup says carefully, "we want to be sure the message we give to the consumer is the clearest and most motivating."

This commitment to advertising, and its proven success with Cover Girl, has earned Noxell respect in the trade, according to retailers, analysts and competitors. "Noxell's behind it," says Revco's Stone of the Clarion launch, which means consistent advertising. "They're going to do whatever they can to keep the line going."

In a first-ever award listing in Goldman Sach's winter 1988 *Fragrance and Cosmetic Buyer Survey*, Clarion and Noxell cleaned up. Clarion won 1987's "Best New Product," Noxell was voted "overwhelmingly" as "Best All-Around Vendor," and the company won "by a landslide" for "Best Salesforce."

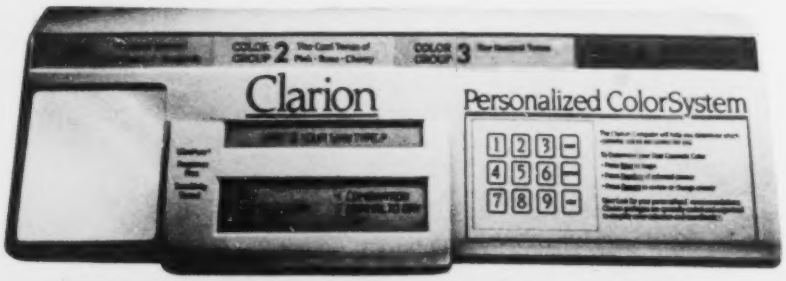
Not immodestly, Troup wants it known that, "The sensitive-skin category in the cosmetic market is the fastest growing. And one of the reasons is because we're in there." As he puts it, "We're a beauty product first and foremost." And in 1987, at least, Clarion was a pretty sight, indeed. ■

CLARION

Media Expenditures
January-September 1987 (000)

	Media total	Network tv	Spot tv	Magazines
Clarion cosmetics	$19,291.0	$14,948.8	$5.5	$4,336.7
Clarion eye make-up	40.5	–	–	40.5
Clarion make-up	432.3	–	–	432.3
Totals	**$19,763.8**	**$14,948.8**	**$5.5**	**$4,809.5**

Sources: Leading National Advertisers; Media Records doesn't report quarterly newspaper expenditures; no cable, network and spot radio, Sunday magazines or outdoor were reported.



Consumers found the mystique of computer analysis irresistible.

CRUNCHING THE COMPETITION

In the late 1970s, the smart talk had it that Kellogg Co. had lost its crunch. Though still the leader in the cereal business, its market share was flaking and its new products sparse. The question continually being asked by the financial analysts and the business press was: Why didn't Kellogg's diversify, like competitors General Mills and Quaker Oats, into livelier businesses? After all, everyone *knew* that the cereal market was going nowhere fast.

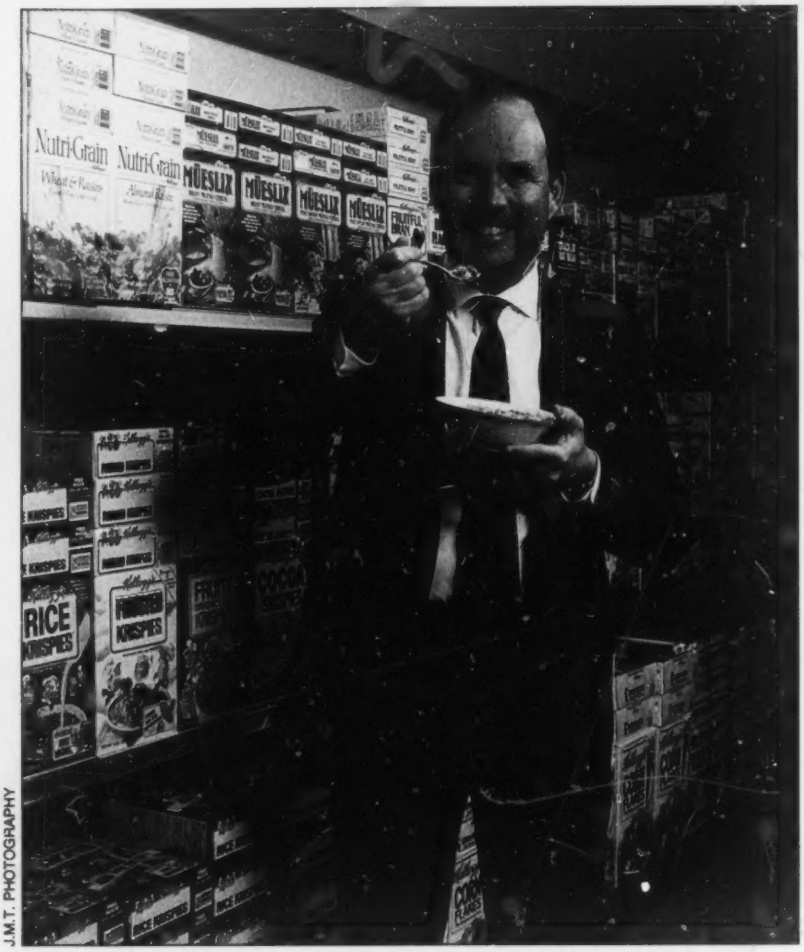
It's very nice to have the last laugh, and that sound you hear is Kellogg having just that. The Battle Creek, Mich.-based company has proved the skeptics wrong. Not only has Kellogg stuck with cereals, but it has prospered and helped to expand the entire cereal category. Overall sales were up 4% last year, ending a long-term slump.

The keeper of such cultural icons as Tony the Tiger and Snap, Crackle and Pop accomplished this feat with a mix of marketing savvy, technological innovation, advertising power and supermarket clout. For instance, Kellogg almost single-handedly envisioned and created an important market segment by capitalizing on adults' growing concern over eating a healthier breakfast. Adult cereals, often bran-based, now account for $2 billion of the $5 billion in sales rung up in 1987 by the cereal industry. And as in the total market, Kellogg dominates, with 12 adult brands that account for 50% of that $2 billion category.

Last year was one of its best ever. Kellogg came barreling into the market with a slew of new products, most of which found consumer acceptance. There was Mueslix (an upscale version of granola with a European heritage), the health-conscious Nutrific (which combines barley, bran, almonds and raisins), Pro Grain (a honey-coated

Kellogg put the snap, crackle and pop back in the cereal market, and earnings that nearly doubled were the cream on top.

by Rebecca Fannin



J.M.T. PHOTOGRAPHY

Kellogg's Mike Simpson takes special pleasure in the fact that growth came despite heightened competition.

multi-grain cereal) and plenty of line extensions. Kellogg also became the first to bring out a snack pack of high-fiber cereals.

These maneuvers have proved so galvanizing that Kellogg's overall market share jumped from 41.5% in 1986 to 43% in '87. Its share had been as low as 38% in 1982. Much of the '87 advance can be attributed to the popularity of both Mueslix and Nutri-Grain Nuggets, a line extension. Both cereals grabbed a 1% stake of the market last year. That may not sound impressive, but Kellogg's own leading Frosted Flakes accounts for only 6% of the total market. There are over 100 cereals brands on sale in the U.S.

Though Kellogg has been busy opening up market niches, it has hardly forgotten its winners. The company has made a renewed commitment to support such established brands as Rice Krispies, Frosted Flakes, Special K, Froot Loops and, yes, Corn Flakes. Most remarkably, not one of these brands has lost a share point over the past six years.

And tastiest of all for Kellogg, perhaps, is that it has caught its competitors napping. General Mills (GM), Kellogg's chief foe, has spent the last couple of years focusing on the chronically tangled kids' market with such items as Rocky Road, Circus Fun, S'mores and Kix and has barely eked out a single share-point gain since 1982. Now it is busy zeroing in on the nutrition-conscious segment of the cereal business so successfully mined by Kellogg. GM introduced Raisin Nut Bran in 1986, and last year, Fiber One was paraded by with a well-backed, highly comparative ad campaign.

"The competition in 1987 was more aggressive than ever before," affirms Mike Simpson, executive vice president of marketing and sales at Kellogg, "yet it was one of the best years we've had in the past five." Sales shot up 14%, and earnings spurted nearly 24%, almost double the performance of recent years.

"Kellogg is the finest food company in the country, but it's also one of the least recognized corporate successes," comments Dan Swander, a former management consultant for Kellogg at McKinsey & Co., who has since formed his own firm in San Francisco.

One reason for that may be that Kellogg generally keeps a low profile. Its executives are not known for having loose lips with the press. Also, the company had a reputation among its employees and customers as being myopic and high-handed.

A common criticism was that Kellogg placed a higher priority on keeping plants operating at full capacity than in finding out what consumers wanted first, according to two former marketing executives. Research often occurred by management whim rather than detailed demographic and psychographic analyses, say the executives. "They'd line up 10 cereals and vote on which one to launch, as though they were voting for America at large," says one former manager.

And sure enough, some of the new cereals didn't last long in the marketplace. OJ's, a cereal sweetened with fruit juice, barely lasted a year before being yanked in 1986. C-3POs, a licensed product named after the *Star Wars* robot character, also was discontinued in '86 after only two years on

Kellogg

the market. Licensed cereals, in fact, may be a thing of the past for Kellogg. "We want more sustaining products that are nutritious," notes Simpson.

Such failures have been rarer since Kellogg forced itself to take a candid look at its operations in the early 1980s. At that time, the company called in outside consultant McKinsey & Co. to help decide how to reverse a shrinking market share. "There's no question that we were involved at the highest level in laying out a direction of priorities," says Swander, who was one of those working for McKinsey on the project. "We were one of several voices — their ad agency [Leo Burnett] had comparable convictions — saying that they had a lot at stake in the cereal market. Although it was well documented they were losing share, there was an unparalleled level of return on equity and earnings."

The problem, however, was that the cereal market was hardly booming. Indeed, the other cereal producers were busily diversifying. General Mills got further into upscale retailing and fast foods (it is now attempting to sell off Eddie Bauer and Talbot's). Quaker got into retailing and direct marketing but now is likewise shedding those units. Third-ranked General Foods brought out only two new cereals in six years.

Although Kellogg hedged its bets too, it stayed closer to the breakfast table with small, successful acquisitions, such as Mrs. Smith's pies and Salada teas. It also jumped into the yogurt market with the superpremium Whitney's brand — but has found the going rough. Competition has gotten so tough in the field that Kellogg has had to pull the brand out of the supersaturated California market.

What convinced Kellogg to continue its 100-year-old commitment to cereals was a simple discovery no one else seemed to have made: A bubble of young adults was becoming obsessed with getting rid of high-fat, cholesterol-ridden breakfasts and were looking for lip-smacking ways to take in more fiber. "We looked at consumer eating patterns, competitive activities and demographics," tells Swander, "plus the economics, and that's what made up our minds."

Kellogg's strategy was ridiculed at the time. "At first they looked dumb for not branching out," says John McMillin, a financial analyst with Prudential Bache. "Now they look smart," he adds.

But Kellogg knew that decision was only the beginning. The company began recruiting MBAs in marketing who understood the scope of packaged-goods disciplines. At the same time, Kellogg increased its research-and-development spending from $20 million in 1982 to $38 million in 1986. It also began using psychographic research to find out why consumers were buying certain types of cereal. Ad budgets were boosted too. They've more than doubled in five years.

Kellogg's

Media Expenditures
January-September 1987 (000)

	1987	1986
Magazines	$ 2,802.9	$ 734.7
National Sun. mags.	70.8	–
Network tv	213,611.2	163,316.8
Spot tv	60,296.9	47,668.7
Network radio	17.2	400.0
Spot radio*	–	8,424.9
Outdoor	3.7	22.2
Network cable	4,279.8	3,342.1
Total	$281,082.5	$223,908.5

*Sources: Leading National Advertisers; *Radio Expenditure Reports. Media Records doesn't report quarterly newspaper expenditures.*

"We know more about the ready-to-eat-cereal market than anybody else," brags Mike Simpson, who has held marketing or management posts at Kellogg for eight years. And Kellogg can put a lot of that knowledge to use, because the company is known for having a pretty stable top-management crew. Christopher McNaughton, former president of Kellogg's U.S. food-products division, has been one of the few to defect. He left to form a video production company in Arizona after an organizational change promoted Horst Schroeder, the former international president, as head in the U.S.

During that period of internal rethinking, the first outward sign that Kellogg might know something its competitors didn't was the Nutri-Grain line. It was assigned to ad agency J. Walter Thompson, which before had worked exclusively on Kellogg's international business. (Recently, Leo Burnett has been picking up some assignments in this important area, which accounts for one third of Kellogg's sales.)

JWT had lobbied for several years to get a prized piece of domestic business. Once it got Nutri-Grain, the agency and client worked behind closed doors for 18 months to perfect it, according to a former manager at the agency. It was Kellogg's first cereal with whole grain, no sugar and no preservatives, and the company devised a media plan that favored highly selective life-style magazines to explain the product's uniqueness instead of relying on Kellogg's typically heavy tv schedule. The company was so confident that it rolled nationally without test marketing. Significantly, Nutri-Grain helped to move health food, which most people thought was for fanatics, into the supermarket.

The line also gave Kellogg a chance to show off a newfound persistence. Rye and barley flavors were pulled and replaced with another variation in 1982: wheat with raisins. Then, two years ago, it added almond raisin. Nutri-Grain has steadily improved its market claim. The Nutri-Grain family share is nearing a 2% market share.

Kellogg made another bold move in 1984 when it broke (through JWT) a controversial campaign for All-Bran cereals. No food company had ever made a link between a proper diet and cancer prevention before. Today, Kellogg nearly owns the bran franchise, an important segment that has grown to 13% of total cereal sales.

Comments former president McNaughton, "I would characterize that campaign as a marketing coup. Other

Kellogg companies could have done that too, but Kellogg was the one brave enough to make a statement."

Last year, the cereal giant proved once and for all that it has done its homework well. Some of the new products are the result of a costly research-and-development process. One line of cereal squares for the first time wraps grains around a fruit chunk. This technology is still exclusive to Kellogg, and the cereals that use it — Raisin Squares and Cinnamon Apple Squares, for example — are a big hit with consumers.

Other new brands boldly capitalize on the health craze. A box of Nutrific, for instance, comes with a small booklet that has height and weight tables, cholesterol counts, a nutrition guide and a checklist for exercise habits.

The new products also have plenty of advertising support. Mueslix carries a $33 million ad budget, Pro Grain has $30 million and the squares products, $31 million — far more than Nutri-Grain's $8 million launch budget seven years ago.

Meanwhile, established brands such as Corn Flakes get about $19 million in annual support. In addition, there's a tighter focus in the advertising to make sure each brand (some of them very similar) appeals to distinct audiences. "That's the secret — to be sure that we have the right kind of advertising and enough of it," says Kellogg's Simpson.

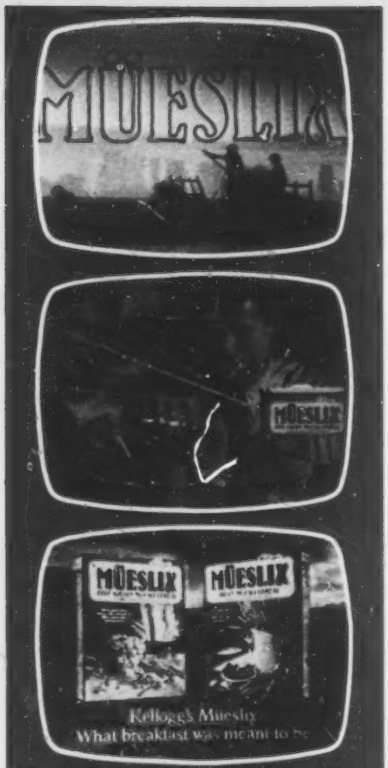
For instance, the campaign for Mueslix bargains on a European heritage, and advertising for the squares products hammers incessantly about the fruit in the middle of the cereal.

Kellogg's $224 million advertising budget, most of which is spent in either network or spot television (except for free-standing inserts and magazines for coupons), also looks more contemporary overall. "I'm aware that they've stepped up to the plate on spending," says one marketing executive at General Mills. "And their ads are a vast improvement on the life-style type they were running before, with more focused commercials that tell product benefits," he says.

Commercials show tennis players being beaten by fiber-eating opponents, swimmers made deliciously slim by consuming flaked grains and romantic couples strengthening their bond by eating right (Kellogg's cereals). "Kellogg has woken up its competitors, and one of the reasons has been that the commercials are more focused and modern," says Bill Lynch, vice chairman of Leo Burnett.

J. Walter Thompson, which has been landing many of the new-product assignments in the U.S. (including Nutri-Grain Nuggets and Mueslix), also has noticed the change. "The effects of a change in direction are taking hold," says John Scott, executive vice president at JWT. "There is more sensitivity to positioning and more faith in advertising. Their attitude is one of leadership."

There have been other smart moves by the marketing department at Battle Creek, Mich. The packaging of Kellogg's cereals looks oh-so-pure. The boxes are either snowy white or glowing honey to play up the health positioning, and that sure stands out in



Mueslix had a $33 million ad budget to communicate its natural image.

supermarket aisles.

Then, too, Kellogg has found out that Mary Poppins was right when she sang "A Spoonful of Sugar." Kellogg has made sure its new cereals are loaded with dates, raisins, apples, hazelnuts and almonds, and even a dash of sugar or corn syrup. "If you put fruits and nuts in it, you can sell it," comments one agency executive who used to work on the account. Kellogg has even gone back and added fruits and nuts to other cereals such as Just Right, which originally appeared in 1985.

Other food companies might take another lesson from Kellogg for the way it handles the trade. For one thing, Simpson says Kellogg has a policy against paying slotting allowances, those nasty fees retailers increasingly are demanding to stock a new product in the warehouse. The company takes an aloof stance with the trade in other ways. "They're not very cooperative about off-invoice allowances or other merchandising fees," complains Tedi Mullins, a buyer with the Greater Atlantic Pacific & Tea Co. She also dislikes Kellogg's forcefulness in introducing products. "They forget that we need time to get ready for a new product and set the initial ship date just a few weeks after the product announcement," says Mullins.

With mighty Kellogg pumping funds into consumer advertising to create demand, the trade finds itself with little clout. "Kellogg is Kellogg; they act like they're king," says another buyer, Judy Graf, at Safeway. But she adds, "They normally have the money to thoroughly advertise the products, and they have well-conceived items."

Affirms Simpson, "We see sales promotion as a short-term strategy and we'll spend what we have to there, but we're certainly not pushing promotion over consumer advertising."

That kind of confidence comes from being on top of the heap. While necessity was the mother of invention for Kellogg's dramatic turnaround, the company deserves credit for realizing its errors and correcting them in such a bold and crafty manner. Now competitors are having to admit that they're not the ones to have the last laugh. ■

In Minneapolis-St. Paul,
Your Daily-Sunday Star Tribune Buy
Reaches 76% Of College Graduates.

StarTribune
NEWSPAPER OF THE TWIN CITIES

AD SAT

Source: Simmons 1987 Frequency: 1.6 GRPs: 123
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National sales call 1-800-328-1674

7TH AVENUE'S BAD BOY

Obnoxious, maybe; a hit, definitely. Murjani's Hilfiger struts his stuff.

by Amy Alson

In 1987, a name so silly sounding it had to be real began tripping up many casually fashionable folk across the country. They were talking about "Tommy Hillfinger [sic]," as in, "Hey that's a nice shirt. Who makes it?" "Tommy Hillfinger."

Well, it's Hilfiger — one "l," no "finger." The misnomer had been spread far and wide thanks to a high-impact, low-cost print and spot-television campaign that sparked rapid-fire word of mouth and helped elevate a boastful mystery man into near top-of-mind awareness among consumers. And to be sure, when a shopper asked for "Hillfinger" clothes at Saks, the two-year-old Hilfiger sportswear line marketed by Murjani International Inc. didn't lose out.

Last year was a difficult year for the nation's top retailers. Even mass fashion-merchandising stars like The Limited Inc. and The Gap Inc. had lost steam by mid-year. It was a tough time for apparel manufacturers too. Industry darling Liz Claiborne Inc. withdrew its children's wear from the market after a poor reception, and its Claiborne line of men's clothes didn't sell well either, say industry analysts.

But the shrewd marketers behind the two-year-old Hilfiger label produced a selling line of clothing and an enviable marketing success. In 1987, the Hilfiger brand rang in $70 million in retail sales, more than twice the previous year's $32 million retail sales. Expansion helped, but so did growth per outlet. New York's Columbus Avenue store posted a 10%+ growth in 1987 on the previous year's high $2,000-per-square-foot sales.

Privately held Murjani won't disclose profits, but executive vice-president Richard H. Hosp estimates retail sales of the Hilfiger line will exceed $100 million this year. The 1987 retail value of all Murjani brands, which include Coca-Cola and Gloria Vanderbilt, is between $800 million and $1 billion, says Hosp, who supervises the Hilfiger marketing program.

The jump in sales was achieved despite the fact that the Hilfiger label, successful though it was al-

Yes, there is a Tommy Hilfiger, here flanked by Murjani's Hosp (left) and ad man Lois.

ready proving to be for Murjani, had an advertising allowance of only $1.4 million in 1987. Against a backdrop of heavy-spending fashion advertisers kneeling, twisting, crawling and crying luridly from national fashion magazines and network television, Hilfiger's thrifty punches in print and limited local tv spots stood out, appealing to American consumers with self-assured — if cocky — humor and refreshing decency.

There is, indeed, a Tommy Hilfiger. The 36-year-old designer is the creative mind behind the sportswear line bearing his name. He also has a say in all marketing decisions related to the line, Hosp says. In 1987, Hilfiger, Hosp and the agency Lois, Pitts, Gershon, Pon/GGK made people want to buy Hilfiger, from Seventh Avenue in Manhattan to Osaka, Japan.

At the agency, chairman and creative director George Lois created the ads and former president and media director Dick Gershon conceived the 1987 media strategy, which relied almost exclusively on national magazines. (Gershon left Lois Pitts in November and now is an independent consultant.)

Marketing Tommy Hilfiger means more than selling clothes. Like most fashion brands these days, Hilfiger promotes an image rather than any truly new designs. In the same way his role model, Ralph Lauren, peddles the English-gentry-in-the-country look, Hilfiger offers a clean-cut-but-slightly-off-center all-American look.

Ad man Lois admits it's nothing terrifically original; it's the way the line is advertised that makes it sell, he insists. In fact, that's why no clothing ever appears in Hilfiger ads. "I can't make [Hilfiger's] clothes look any better than anyone else's. It's an idea that we sold," he explains.

One of the basic ideas in all the Hilfiger ads is to vault Tommy, warranted or not, into the same league as well-established designers in the apparel buyers' and consumers' minds. Says Gershon, "Ralph Lauren has worked for some 25 years to get where he is. Tommy is trying to hitch on that." Hilfiger had been designing sportswear for about 10 years before Murjani hired him to do his own line.

The basic elements of the Hilfiger line are baggy khaki slacks and an oversized cotton shirt. This is casual attire primarily for men who aren't at home in high-fashion togs but who want more style than dungarees and a T-shirt. Hilfiger fans tend to be young — 20 to 35 years old, says a reporter at *DNR*, the menswear-industry newspaper. However, Hosp insists the line sells to men aged 25 to 45. These play clothes aren't an inexpensive impulse buy for the average guy: The basic shirts start at $42, says Hosp, and wool sweaters range up to $120.

A Hilfiger line for women exists, but it's mainly for women who like oversized, man-tailored clothes, Hosp admits. The ads are unisex, since they don't show any of the clothes being modelled.

The Hilfiger marketing team had several tasks to accomplish last year: to expand brand awareness geographically, to keep the creative fresh without being so "cheeky" (Gershon's word) as to alienate apparel buyers and to do it with very little money.

Hilfiger's ads since 1985 had drawn attention for the gutsy aggressiveness they display. Indeed, some criticized the brand's first campaign (fall 1985), which ranked then-unknown Hilfiger in a league with Calvin Klein, Ralph Lauren and Perry Ellis. Says Lois, "He skyrocketed from an unknown, and it pissed off a lot of people on Seventh Avenue."

But that calculated arrogance has brought Hilfiger lots of free publicity, as celebrities from Johnny Carson to John Weitz commented publicly on the ads and the clothes. A Lieberman Research Inc. study conducted in 1986 showed that of 100 people interviewed in New York, 68% mentioned Tommy Hilfiger

among the first four or five "important designers" to come to mind. Calvin Klein was named by 72%.

Hosp says no brand-awareness research was necessary in 1987 since the results were so convincing a year earlier in New York. He is now considering commissioning a nationwide survey this year to gauge Hilfiger's potential for licensing.

The 1987 Hilfiger campaign — which was kicked off in February in the swimsuit issue of *Sports Illustrated* — had to maintain that feisty cheekiness associated with Hilfiger but in a positive way. Benign bitchiness, a typical characteristic of the provincial yuppie, had become an essential part of the Hilfiger image, but that's a difficult balance to find and sustain.

Lois's 1987 campaign once again took on the entrenched competition, but this time Hilfiger toyed with institutional clothier's mascots — the Izod Lacoste alligator, the Brooks Brothers lamb, Ralph Lauren's Polo horse — and not with individual designers' names. Besides, Hilfiger's name was already known, his flag logo less so. In consecutive spreads, or consecutive thirds, the animal logos chase each other out of town, and a victorious red-white-and-blue Hilfiger flag is displayed.

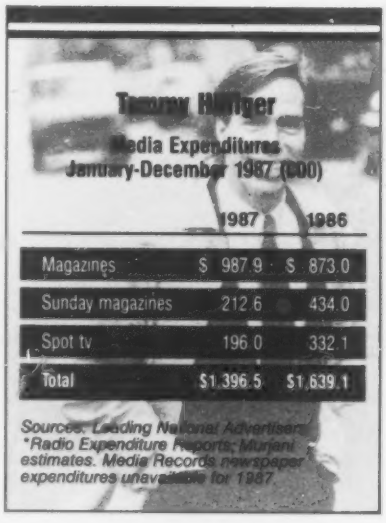
Since Hilfiger's 1986 campaign had been aimed mainly at the garment industry, it was concentrated in New York City, using outdoor media in the garment district and a one-time multi-page ad in the Sunday *New York Times Magazine*. But in 1987, Gershon says a top priority was to spread Hilfiger's name among consumers nationwide — without abandoning the trade.

Gershon opted to spend 90% of the budget on magazines. In addition to the Sunday *Times* magazine, Gershon says, he expanded the schedule in 1987 to include *Newsweek* (metro editions), *People*, *Sports Illustrated*, *GQ*, *W*, *Esquire*, *Elle* and *USA Today*.

As before, Hilfiger ads ran infrequently, with the emphasis on getting one big bang rather than a lot of little pops. They ran four times in *People*, three times in *Newsweek*, twice in *Esquire* and *GQ*, and once each in *Elle* and *W*. A lot of money went to the *New York Times Magazine* for six successive pages (three spreads).

"Cost-efficient is the wrong word" to describe the strategy, says Gershon. "Spreads and four-page ads are not by traditional terms 'efficient.' But we gave up efficiency for dramatic effect. There's something to this business besides efficiency."

In *Sports Illustrated*, for example, the multi-page ad ran only once, but it was in the swimsuit issue, which delivered a circulation bonus of 400,000 to 500,000, Gershon says.


Media Expenditures
January-December 1987 ($00)
1987
1986
Magazines $ 987.9 $ 873.0
Sunday magazines 212.6 434.0
Spot tv 196.0 332.1
Total $1,396.5 $1,639.1
Sources: Leading National Advertisers; *Radio Expenditure Reports; Murjani estimates. Media Records newspaper expenditures unavailable for 1987.

Why wasn't *Vogue* included, though Hilfiger sells to women and *Vogue* is often considered a must-buy for serious fashion advertisers? Gershon replies: "The women's books are pretty expensive." Besides, the *New York Times* magazine reached the trade, and "women read *People* and the *New York Times*, and they also watch tv."

For tv, which ran only in New York, Lois adapted the print ads for 10-second spots by animating the alligator, lamb and horse, all succeeded in the final frame by the triumphant Hilfiger flag. So the same message was spread to even more people quite inexpensively. The spot ran in "fringe hours," such as on late news, Gershon says.

On the campaign's effectiveness, Richard Hosp says style-conscious New York remains Hilfiger's strongest market, but the brand's biggest customers are department stores, including the Neiman-Marcus Co. chain in the South, Marshall Field's in the Midwest and Saks Fifth Ave. nationwide.

A sales manager at Saks in New Orleans says, "Mostly college kids who see it in *GQ* or on someone at school" buy Hilfiger clothes. The brand occupies about a third of the floor area it shares with Claiborne and Perry Ellis America, and the mannequin on the aisle wears Hilfiger.

Adds Cynthia Parks, a buyer at Independent Retailers Syndicate Inc., a buying service in New York, "Tommy does very well with basic items, like the khakis and shirts, at any of my [clients'] stores all over the country, from specialty shops to department stores to mass merchants."

While distribution through chain stores grew in 1987, so grew the chain of free-standing Tommy Hilfiger retail shops, which are all owned and operated by Murjani. By the year's end, nine Hilfiger shops were open: in Los Angeles, San Francisco, Georgetown, Princeton (N.J.), Stamford (Conn.), Manhattan (two stores), Osaka and London. The New York shops alone account for 10% of all Hilfiger sales, Hosp says.

To expand distribution and maintain control over selling environment, Murjani is developing a chain of Hilfiger stores that would look identical to the company-owned stores but would be independently owned. The first of these outlets should open by the end of this year, according Hosp. Already, Murjani has plans to license the Hilfiger name to at least three manufacturers this year, though Hosp won't name the products or the licensees.

The challenge of marketing Hilfiger was "to make an unknown famous fast," Gershon says. Apparel-industry marketing consultant Harry Bernard agrees, "Murjani has made the most effective use of the media" to make Tommy Hilfiger known. Now Murjani should only hope that "his product [is] as good as his hype." ■

ELDRED'S AFTERLIFE

Founder Ken Eldred uses Inmac's catalog to stay on top of the growing computer aftermarket.

by David Kalish

Hunched over computer keyboards and half-eaten sandwiches, Bell Labs' elite group of top-flight engineers burned many a candle this past year to help keep AT&T's vast communications network up to snuff. But over in Bell's accounting offices, pencil scrapers quietly savored a lesser known 1987 accomplishment: a 23% price break on all computer accessories from its largest mail-order supplier — Inmac.

To be sure, last year's deepened discount was welcome news for the communication giant's research arm, which bought more than $400,000 worth of Inmac floppies, user-friendly desks, printer stands and the like in 1987. But from Inmac's end, the sweet deal was more than mere business-as-usual. It was part of an ambitious effort in 1987 to attract and hold large-volume customers to bolster its 10% share of the highly fragmented computer aftermarket.

Largely thanks to Inmac's popular, plain-talking catalog — it plays up product benefits in simple, nontechnical language — the mail-order company got its foot in more than a few doors last year. Observes catalog consultant Dick Hodgson, president of Sargeant House in Westtown, Penn., "Inmac forgets they are in the computer field and treats [the catalog] as if they are selling to someone who doesn't know anything about computers."

Experts credit the one-two punch of well-worded direct mail and savvy sales tactics for Inmac's rapid expansion in 1987. Among those heavy-hitters who recently threw large chunks of business their way: NYNEX, Bell Communications and Boeing.

Inmac's targeted mailings and salesforce of roughly 75 people — it was strengthened by some 15% last year — racked up another banner year in 1987. The firm did about $165 million in business, up 33%. The company's net income, $7.7 million, grew more than 50% from a year earlier. And despite the nature of the business, which sets scores of small regional competitors nipping at its heels, Inmac managed to stay on top of the $1.6 billion direct-response computer aftermarket by a wide margin.

Last year, the Santa Clara, Calif.-based firm's success became a matter of public record, with the company's stock offered for the first time on Wall Street's over-the-counter market. With a bevy of new computer products introduced in 1987 or slated for release in 1988 — many requiring newly designed furniture, cables and the like — the future bodes well. "They're very

aggressive people," applauds Joan Merlis, an analyst with Salomon Brothers in New York, one of three major underwriters of Inmac's stock.

At the helm of Inmac is CEO and founder Kenneth Eldred, a self-taught ad man and media sharpshooter who brings a much needed sense of marketing law and order to the decentralized computer-parts industry.

Eldred knew an expansion-ripe market when he saw one. Back in 1976, when Silicon Valley was attracting entrepreneurs from all walks, the Stanford University-educated businessman, with a paltry $5,000 initial investment, launched an aggressive attack on the computer aftermarket.

He and co-founder James Willenborg laid painstakingly detailed, long-range plans that relied primarily on direct mail to deliver the firm's message of dependable quality and service. "We started the company with pad and pencil in one hand and David Ogilvy's *Confessions of an Advertising Man* in the other," Eldred says.

In ten years flat, Inmac has grown from a scrappy self-starter to a direct-mail power with 1,100 employees worldwide. Today, Inmac's comprehensive, easy-to-read catalogs, produced and written in-house, are still the primary vehicle for attracting and maintaining a worldwide stable of satisfied customers, and Inmac continues to rely heavily on its highly knowledgeable phone jockeys to guide prospects through the catalog offerings. The mail efforts, however, are now getting additional support in the field from account people sent out to personally drop in on firms, either to beef up business with existing clients or to scope out potential customers.

Eldred's marketing manifesto involves convenience, service and consistent and entertaining communication. Underscoring that emphasis is a fact that competitors like to stress: By industry standards, Inmac is not cheap. "They're extremely high-priced. If you take our catalog and compare it to theirs, you see a big advantage," insists Robert Leeds, president of Plainview, N.Y.-based Global Computer Supplies, which claims roughly $35 million in annual sales.

CINDY CHARLES

Eldred's flip style comes through in Inmac's pitch.

Is Inmac pricing some customers out of their market? Acknowledges Inmac Northeast division sales manager Lynne Russo, who helped win a $93,000 piece of business this year from Crum & Forster, "If there are cases where that's the only thing customers are interested in, that may be true." However, experts say Inmac's mainstay clientele — 85% of its business is with companies of more than 50 employees — care more about quick delivery and long-lasting products. "Their market niche isn't the super, super price-sensitive," says Merlis.

In addition to Inmac's lifetime guarantee, clients praise its broad selection of quality products, approximately 2,400 items strong; swift delivery (most goods are delivered within 24 hours of the order); and, of course, the regularly updated and easy-to-read catalogs. "I would give [Inmac] a '10,' if I had to rate them, as one of the vendors I enjoy doing business with," raves Dana Waszczak, an assistant buyer at the AT&T Bell Laboratories facility in Murray Hill, N.J.

Of prime importance to Inmac's success are finely honed direct-mail techniques, and central to this area is a meticulously updated mailing list of, at last count, nearly 2 million customers who are regular buyers of Inmac products. This prime clientele responds about 12 times as frequently as untried potential customers on "cold lists," the company claims. In fact, though, the mailing list is divided into several tiers of customers, ranging from meeker respondents to those who are virtually certain to buy. At the highest rate of return, Inmac claims it can expect $45 in business for every $1 spent.

Inmac last year began using specially designed software that weeds out names of customers whose poor response rates are not considered worth the expense of sending them catalogs. Fine-tuning grows increasingly important with time; the company's goal is to bolster its roster of computer users by up to 25% annually.

On top of renting existing mailing lists and following up on leads from their salesforce, Inmac boosts its lists using magazine ads that urge readers to send away for free catalogs. Those magazine ads also help Eldred and company do what they like best: save money. After sampling mass media in several countries, company decision-makers dumped television and radio in favor of more cost-efficient direct-response ads in computer specialty magazines, such as *Datamation*, *PC World* and *MacWorld*.

These choices must stand up to intense scrutiny. With current annual ad expenditures under $1 million, Inmac does not hesitate to drop magazines

whose ad response rates do not measure up to standards. As a general rule, Inmac tries to have its ads cost less than 15% of total sales generated by each ad. "We think our customer list is more valuable than anyone else's in the b-to-b category," says Edmund Schooler, executive vice president of worldwide direct response, sales and operations.

As for the company's corporate image, they feel that is a natural byproduct of what they do — when it's done well. Boasts Kenneth Eldred, "We really count on our catalog for the better part of our image." Splashed with color and irreverent humor, the catalog has won several design awards and is believed to be a key reason why solicited customers respond with enthusiasm. Experts say its ability to translate complex product data into pointed consumer benefits has helped Inmac tap into a broad cross-section of potential customers. Instead of getting bogged down in detailing the advantages of an accessory for printers, for instance, catalog copy asks the provoking question, "Does your printer sound like a machine gun?"

Those with questions can call a toll-free hotline for information on how to make their new computer accessories work the right way. "They don't have blinders on when it comes to people," says Hodgson. "They're a direct-marketing business run like a marketing-oriented business."

Produced in six different languages, the 200-page glossy catalog was recently slimmed down with lighter stock and narrower margins in preparation for a looming hike in the U.S. Postal Service's bulk-mail cost. To woo new customers, Inmac distributes a thinner "prospecting" catalog. A total of 24 million catalogs were mailed last year; that figure is expected to increase to 30 million in 1988.

With 60 employees working full-time at three separate research facilities to design new products — 90% of the products sold carry the Inmac label — Inmac hopes to continue as the most comprehensive computer aftermarket source in the business. The company also shoots for newly designed products comprising 20% of total annual sales.

Inmac's sales drive also has caught on fiercely abroad: Already European sales account for almost half of Inmac's worldwide business. And with competition considered less intense than in the United States, abroad operations are now growing at a rate of more than 50% a year, compared to 20% in the U.S. Gaining a large part of the credit is a weak dollar that drove down the cost of American goods.

Inmac, never one to miss an opportunity, this year moved to further strengthen its marriage with clients. A new Inmac service allows buyers to shop for parts via computer. The first customer to hook up was heavy-hitting client Eastman Kodak. What's more, some of the accessories that helped turn Kodak computers into electronic mailmen in 1988 were purchased — you guessed it — from Inmac. ■

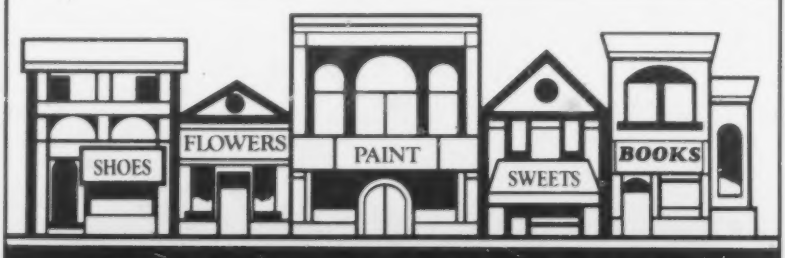
INMAC'S MARKET

Estimated Worldwide Installed Units (in millions)

	1982	1983	1984	1985	1986	1987*
Minicomputers	1.4	1.7	2.0	2.3	2.5	2.8
Microcomputers (non-home)	3.1	6.4	10.8	15.7	21.4	27.4
Total	4.5	8.1	12.8	18.0	23.9	30.2

*Projected

Source: International Data Corporation, Framingham, Mass.



Kiwanis Magazine Can Increase Your Coverage Of Small Business

KIWANIS magazine delivers a unique, quality audience of top executives, small business, professional and community leaders.

- 36.8% are members of one or more companies' board of directors.
- 32.2% are *the top* executive (chairman, president, owner, proprietor, partner).
- Median company size 35.6 employees.
- 79.3% have purchasing influence/make purchasing decisions for their firms.
- 55.9% currently own a computer for home or business use. Another 12.2% plan to purchase one within the next 12 months.

(Source: Aaron Cohen Marketing Services — June, 1987 Subscriber Study "Readers In Business," complete copy available upon request.)

For additional information, call or write:
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BARRELLING THROUGH

A-B proved its mettle in '87: Trouble didn't stop it from getting three of its beers into the top five.

by Anitra S. Brown

By all rights, 1987 should have been an awful year for Anheuser-Busch (A-B). In late 1986, allegations that several key executives were involved in a kickback incident began to surface. One result was that by March '87, heads began to roll: Anheuser-Busch fired or asked for resignations from the president, vice president of sales, vice president of wholesale operations and manager of national sales promotion.

The chain of events sent shock waves through the company, an extremely proud and image-conscious organization. August Busch III, the dynamic 50-year-old chairman and CEO who had authorized an internal investigation, sent a letter to employees on March 27, 1987, announcing its completion. "Now it is important that we put this matter behind us and look to the future," he told them. Soon after, he assumed the additional duties of president.

And unbelievably, in very short order, the company did manage to move beyond the scandal and get on with the business of being America's biggest and most successful brewer. A-B proved its extraordinary depth of management by executing 1987's plans without a hitch.

In a flat-to-slightly-down beer market, A-B managed to propel its leading brands toward significant sales increases. Its performance was so great that by the end of 1987, Anheuser brands accounted for three out of the top five beers sold. For instance, the company flagship and industry leader, Budweiser, which was already two and a half times the size of its closest competitor (Miller Lite), increased its massive lead by muscling ahead 3.1%, according to *Impact Databank*, an industry newsletter.

To put that showing in perspective, every other premium domestic beer — Miller High Life, Coors, Stroh's — lost volume, some substantially. "To keep Budweiser growing in the face of the flat market is an amazing development," says an admiring Jerry Steinman, publisher of *Beer Marketer's Insights*. "They're taking it out of the hides of the competition."

Other major accomplishments of 1987: Popular-priced Busch jumped 15.6% past troubled Miller High Life to become the country's third largest beer, and Bud Light, with the help of a charismatic English bull terrier named Spuds MacKenzie, moved past Coors Light on a 21.2% growth spurt to become the second largest-selling light beer.

With its barreling brands, a 40% share of the domestic beer market and 5.6% growth on its beer busi-

A-B's patriarch just might smile knowing the Busch family's business talents continue in August Busch III.

ness in '87, A-B appears to be an unstoppable locomotive moving toward its proclaimed goal of 50% share of the U.S. beer market within the next decade. Says one frustrated competitor, "They're all-pervasive. Every time you turn on the tv, there's a good chance you'll see their ad. Every time you go to a sports event, you see their signage. Every time you go to a party and one beer is served, it's Budweiser. They're never going to have 100% of the market, but they can get some pretty high numbers off that base."

A lot of the company's recent success can be linked to the winning ways of its Budweiser brand family. Since the 1981 introduction of Budweiser Light (called Bud Light since 1984), there have been two family members. Together these two premium-priced beers comprise almost a third of the domestic beer market, making the Budweiser name synonymous with American beer.

A-B executives stress product quality, strong marketing and a powerful distribution system as the keys to its great success in the beer market. Jerry Steinman thinks they have one other secret weapon: August Busch III.

"I believe the main reason for A-B's success is that August Busch is the chairman," says Steinman. "He's an extremely able and motivated executive who has built the right organization with the right capitalization."

Veteran beer observers trace the company's current success back some ten years, when most of the articles being written about the industry were speculating as to whether Miller would be able to overtake A-B.

Philip Morris Inc. had purchased Miller Brewing in 1970, bringing the classic marketing techniques of packaged goods to the brewing industry. Rather than producing one basic product — beer — they segmented the market, introduced new products and packages for those segments and spent heavily to promote them. Their most important innovation was the introduction of Miller Lite, which opened a whole new territory for modern beer marketers.

Miller High Life surged forward on the appeal of the slogan, "If you've got the time, we've got the beer," and Miller management openly taunted A-B, which had led the brewing industry since 1957. Maybe that was their big mistake.

A crippling 13-week strike produced Budweiser out-of-stocks during the summer of 1976 and allowed Miller High Life to make further inroads at A-B's expense. Augie Busch III, who had become CEO the year before, declared war. "Tell Miller to come along, but tell them to bring lots of money," he told *Business Week* at the time.

A-B made an internal assessment of its strengths and weaknesses and went after Miller and the blue-collar beer-drinking audience. Late in 1978, A-B and its agency, D'Arcy Masius Benton & Bowles, launched a new slogan that is still going strong: "For all you do, this Bud's for you."

What happened next, says Roy Burry, an analyst with Kidder Peabody, was that "Miller had a great slogan, but it got stale. A-B did an equally good job of advertising but a better job at keeping it fresh."

The basic positioning of Budweiser as an all-American, quality beer that is a reward for work well done has not changed since that time, and clearly it is one of the reasons for the brand's phenomenal performance, believes Tom Sharbaugh, group marketing manager on Budweiser and Bud Light. "One of our keys to success is our ability to take an old brand name — Budweiser has been around for 120 years — and constantly refresh what that brand name stands for in the minds of the under-35 crowd."

Since Budweiser is the dominant brand in the flat premium-domestic-beer market, A-B's mission is to grow the brand at a rate faster than the market, essentially taking share from competitors.

Even more remarkably, they're taking share while charging a higher price. Excess production capacity has competitors resorting to price promotion (usually via bonus packs) on a somewhat regular basis. But Budweiser and Bud Light price promote in very limited targeting programs such as the May "Pick-a-Pair" promotion, now in its 26th year.

This is achieved by spending lots of money ($187 million for both brands

in 1986) on excellent campaigns, then supporting them with promotional activities on the local level. "They'll sponsor anything — regattas, bowling teams, marathons, town festivals, rock-n-roll events," says Michael Bellas, president of Beverage Marketing Corporation. "They carry their national advertising down to the local marketplace."

While Budweiser and Bud Light are merchandising is similar on both brands. "We work very hard to link brands. "We work very hard to link together all the pieces of the marketing mix, as opposed to putting a commercial on tv and expecting great things to happen," Sharbaugh tells. For example, Spuds is visible on television, but the same message finds its way into outdoor, print merchandising activity (T-shirts, key chains, hats) and point-of-sale.

Wholesalers have costumes of Spuds that they can crawl into to make calls on taverns. Spuds has been iconized for the bar not only as a neon sign but also as a plastic mold that is lit from the inside (an idea taken from the popular white-goose model). For supermarket accounts, A-B has a six-foot-high cutout of Spuds for displays and free-poster offers. "Our advertising concepts don't operate in a vacuum," explains Sharbaugh. "We put them to work selling beer."

A-B also has the most powerful beer-distribution network in the country. If a bar, restaurant or store sells beer, they're certain to have Budweiser. The A-B wholesalers, and there are more than 900 of them, are a force in themselves — well-trained, well-financed and absolutely driven to sell Budweiser beer. "We're a breed of our own," states Troy LaGrone, president of the beer division of Ben E. Keith Company, based in the Dallas/Fort Worth area and one of A-B's biggest wholesalers. "Busch insists on excellence in personnel, delivery, warehousing and community involvement."

Spuds lives the high life — he spent 25% of Bud Light's ad budget.

One key to the Budweiser brand's success is its ability to successfully target different market segments. "We've carefully crafted a national image for Budweiser that is an umbrella under which a lot of images can rest," says Sharbaugh. "A Hispanic in Southern California can watch our national advertising and find it relevant and appealing, but that basic image is enhanced by a locally delivered, tailored message."

Most of Budweiser's national spots are racially integrated, so that key segments of the population have someone with whom they can identify, and in special executions, a black or a Hispanic becomes the hero of the ad.

While there is a well-developed Spanish cable network in key Hispanic markets, the black audience is reached primarily through radio. The commercials are music oriented and can be adapted for each station's format utilizing a range of executional styles.

The current contemporary-adult campaign, "I'm a genuine Bud man," appears on programs such as *Late Night with David Letterman* and *Saturday Night Live*. Young men star in this series of rapid-fire images of cars, girls, music, volleyball — all the important things in life.

Approximately two thirds of A-B's money and energy is poured into sporting events, because there is an extremely high correlation between the core beer drinker (male, legal-34) and the sports fan. "Our sports-marketing people are constantly looking for a novel approach to what would otherwise be a normal buy," says Sharbaugh (see "Sales Promotion," pg. 138). Notable successes of '87 include the "Budweiser Yacht Cam," which was mounted on the winning *Stars & Stripes* boat during the America's Cup race in Australia, and the use of a border with the Budweiser name during

Spuds' Super Bowl jump was as spectacular as Bud Light's 1987 performance.

National Football League kickoffs while the announcer says, "This kickoff is brought to you by Budweiser, the king of beers."

But the achievement of which A-B is most proud is its ability to launch and grow Bud Light without cannibalizing the core brand Budweiser. A-B was slow getting started in this critical segment. In the mid-'70s, it bet on Natural Light, which never succeeded in attracting light-beer drinkers in sufficient numbers.

Going into the '80s, the light-beer segment was growing much faster than the total market. Reluctant to introduce a light beer with the Budweiser name but with no satisfactory entry, A-B had no choice but to relent in 1981. Budweiser Light was introduced with the "Bring out your best" campaign, which featured slow-motion shots of Clydesdales running free.

The brand achieved a certain volume and market share on roll-out but plateaued around four million barrels. Unsatisfied with those numbers, A-B went back to the drawing board in 1984 and addressed its critical problem. In bars, light-beer drinkers were asking for a light, and that got them Lite beer from Miller. So they shortened the name to Bud Light, changed the packaging and launched the humorous "Gimme a Light . . . Bud Light" campaign.

BUDWEISER BRAND FAMILY

Media Expenditures
January-September 1986-1987 (000)

	1987	1986	% +/–
Network tv	$59,661.9	$56,132.0	+6.3%
Spot tv	42,917.7	38,049.5	+12.8%
Cable tv networks	11,722.6	10,934.3	+7.2%
Spot radio*	14,414.0	16,333.0	–11.7%
Network radio	5,034.5	5,717.9	–12.0%
Magazines	4,176.1	3,001.1	+39.2%
Sunday magazines	109.4	327.0	–66.5%
Outdoor	4,319.4	2,799.1	+54.3%
Total	$142,355.6	$133,293.9	+6.8%

*Sources: Leading National Advertisers; *Radio Expenditure Reports. Media Records doesn't report quarterly newspaper expenditures.*

That was exactly what the brand needed, and sales began surging ahead. The "Gimme a Light" campaign by DDB Needham Worldwide is yet another example of how A-B excels at working with their agency to keep campaigns fresh. The latest execution shows a caveman returning to his companions with a precious bit of fire . . . and they let him know which "Light" they really meant.

Bud Light grew by 21.2% to eight million barrels last year, according to *Impact*, moving into the top five beers. While it is less than half the size of Miller Lite (at 19.7 million barrels), it is now the second largest light beer. The brand has been successful in attracting the younger legal drinker. Miller Lite's profile is slightly older.

The majority of Bud Light's ad budget ($65 million in 1986) goes into the "Gimme a Light" campaign. But another enormously appealing spokesperson came to the fore in 1987, eating up 25% of its spending.

Spuds, who began his career as the star of a one-shot poster, proved so popular that he was hired on as a senior party consultant for Bud Light. He has weathered several controversies, including whether he is a she. The most serious attack came late last year, when Senator Strom Thurmond (R-S.C.) held a Spuds toy up in Congress, contending that his party-animal image encourages under-age drinking.

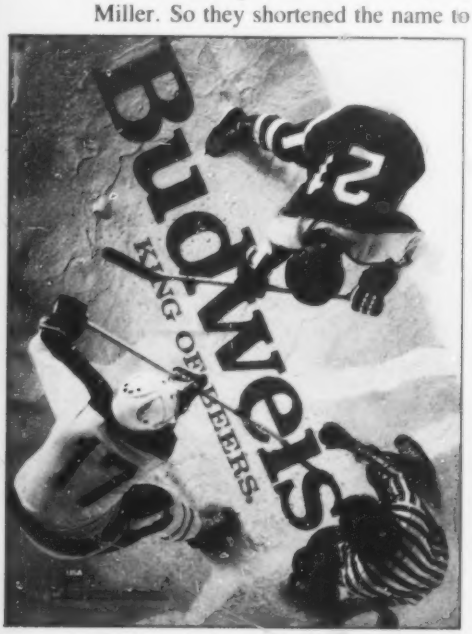
A-B quickly and effectively countered with a Spuds holiday ad that said it's cool to "know when to say when." By the time Spuds made his spectacular 90-meter ski jump in the Super Bowl XXII Bud Light ad, much of the controversy seemed to have died down.

The fact is, Spuds MacKenzie has proved enormously popular with the public. He even made *People* magazine's best-dressed list with a four-thumbs-up rating for his classic yachting blazer and white flannels. "Definitely the best-dressed man you've shown me," commented Oleg Cassini.

How did Spuds respond? "Obviously, he was thrilled by the whole thing, but he was a little embarrassed, because he never wears any of Cassini's stuff," says Bill Stolberg, an account executive at PR firm Fleishman-Hillard, who works with Spuds.

During the Super Bowl, Stroh's star performer, Alex the dog, appeared in a spot doing imitations of Rin Tin Tin, Benji and . . . you-know-who. "Spuds is an executive, and it's A-B policy not to comment on competitors," says Stolberg. "But Spuds did get a chuckle out of it and said that imitation is the sincerest form of flattery."

Will Spuds meteoric rise to stardom make him a short-lived media phenomenon? "We don't know how long the vitality will remain," admits Sharbaugh, "but my judgment is that if



A-B brands are visible in every sports franchise in the country.

we're careful, we can get some more mileage out of it."

A-B executives don't call Spuds a dog ("That's the d-word; he's a party animal," laughs Sharbaugh). But whatever he is, he's certainly evidence of the brilliant organization marketing his beer. In deciding whether to take the risky move of making a d-- their brand spokesman, the A-B team recognized that beer is a sociable product.

"The Bud family of brands has the need for a certain element of fun," explains Sharbaugh. "The juggling act of how many elements in the mix are serious and how many are fun is not a science. It's an art." At A-B, they're masters. ■

CHILLING OUT

It's a peculiar spot to be in. After making a concerted drive for the wine-cooler summit over the last two years, J.E. Seagram & Sons' coolers achieved explosive growth in 1987, catching and even surpassing arch-rival E. & J. Gallo Winery's Bartles & Jaymes brand (*M&MD* Top Marketing Success, 1986). Yet Edgar Bronfman, Jr., president of the House of Seagram, who by all accounts made the company's cooler push his pet project, may be wishing he'd just stayed out of the business.

As more marketing giants join the cooler fray, ad and promotional budgets in the $1.6 billion industry are skyrocketing and profit margins evaporating. What's worse, the most recent sales figures for 1987 shows consumption leveling off, which truly shocked many marketers.

And Seagram has troubles of its own. A whirlwind of bad publicity has descended on its Golden Wine Cooler pitchman, tv star and wise-guy Bruce Willis, who was personally chosen by Bronfman, Jr., and helped the brand achieve its success last year. The company is reportedly walking away from Willis, who has been publicly branded as *too much* of a party animal. "They had the success last year, but the big question is, can they keep it?" wonders Michael Bellas, president of Beverage Marketing Corp., a market-research firm. "They have a very tough year ahead of them."

Seagram waged an impressive fight in 1987, no doubt about it. According to *Impact*, an industry newsletter, the company's share of the wine-cooler market jumped from 13.5% of the market in 1986 (compared to Gallo's 24.7%) to 24% last year. Gallo slipped slightly, according to these figures, to a 23.4% share.

But did Seagram buy its top slot? In addition to Willis's two-year, reportedly $2-million-per-year contract, the company spent over $20 million on network-tv-heavy media buys between January and September 1987 alone, according to Leading National Advertisers (LNA). (Gallo's expenditures for the same period were nearly $30 million.)

In 1986, Willis's first year as spokesman, LNA reports the company spent nearly $30 million on media for the whole year. According to one analyst, "They virtually pulled all their ad budgets and pumped them into coolers."

A sixth flavor, Island Tropics, debuted this past winter.

Most industry watchers, however, say that hefty ad dollars are only part of Seagram's success story. They first introduced its wine coolers in 1984. By the end of '87, the company had five flavors including last year's hits, peach and wild berry. A sixth, Island Tropics, was added this winter.

By comparison, Bartles & Jaymes, launched in 1985, didn't come out with a second flavor until last year. A companion to its original white-wine cooler, its Premium Red has sold poorly so far, another boon to Seagram. To fight back, Gallo rolled out a berry flavor, will launch a peach flavor this spring and plans another new flavor by June.

Seagram also wins praise for securing excellent distribution for its coolers. Though Seagram's distribution network is structured somewhat differently from most-admired Gallo's, it, too, has tremendous clout in the marketplace. Where it didn't have distribution, the Willis ads helped force the issue. Also, with so many cooler flavors, as well as attractive packaging, it was easy for Seagram's to command as much shelf space as Bartles & Jaymes.

Then there's Willis's impact. Compared to Gallo's Frank Bartles and Ed Jaymes, the humorous hayseeds that America has become perhaps too familiar with, Willis was a refreshing jolt. The epitome of "upscale hep," he appeals to men and women, blacks and whites. Seagram's also used the ads, from Ogilvy & Mather, to target the important on-premises business.

It's hard to predict what Willis's loss could mean to sales. Most think the company will be hard-pressed to come up with a campaign as hot. The resignation of the creator of the Bartles & Jaymes campaign, Hal Riney, from that account in December evens the odds somewhat.

In any event, the now-unpredictable cooler market has become the arena for a battle of the titans: Gallo and Seagram. "Gallo will make a concerted effort to come back," predicts Bellas. "You'll have the two heavyweights battling it out in a market where no one's sure what's going to happen."

Carol Hall

AIN'T WE GOT FUN!

Ocean-liner cruising has always conjured up lots of images, many of them worlds apart. There's the one of the grand poohbahs parading around the deck, directing the cartage of their Louis Vuitton luggage with one hand and holding the leash of an equally haughty wolfhound with the other.

Then, of course, there's the other view. You know, the one where "you sleep in steerage with 37 to a cabin," cracks Karine L. Armstrong, vice president of marketing for Carnival Cruise Lines Inc. "There were a lot of preconceived notions." Indeed, one of Carnival's very real achievements is that it has been able to swab the deck clean of both those stereotypes and, as Armstrong says, "to put cruising into the hands of Middle America."

Carnival, with its unprecedented tv-advertising campaign and maybe some indirect help from the popularity of the tv series *Love Boat*, has made it clear that one doesn't need furs — be they mink or on a wolfhound — to have fun, which was and is exactly what Carnival has been marketing for more than 10 years.

While some in the $4.5 billion industry have been trying to lure in a new cruise crowd with novelty-type cruises — trips to nowhere, "Great Chefs" eating extravaganzas, country-music hoe-downs, etc. — Carnival has successfully set sail with a "Fun Ships" theme. The company enjoyed its biggest year ever in 1987, with net income of $152.8 million — 56% higher than a year earlier — for the fiscal year ended Nov. 30, on revenues of $564.1 million.

Its success is well-deserved. Carnival's role in shaking up and changing the staid cruising industry is nothing short of remarkable. Up until about 20 years ago, people took ships simply to get from shore A to shore B. But the advent of airline travel put an end to that. Cruising had to become more than a mode of transportation and evolve into an adventure to be savored for its own merits. "Carnival was ahead of everyone else in marketing a cruise as a cruise-ship experience," says Richard

"Ain't we got funds" also could have been a Carnival slogan. The company celebrated its biggest sales year in 1987.

by Paula Schnorbus

The on-course crew (left to right): senior vp, sales and marketing, Bob Dickinson; president Micky Arison; vp, marketing, Karine Armstrong.

D. S. Kahn, president of RSK Travel Consultants.

While others also got the hang of that, the trouble was that they attracted a pretty narrow audience. Most of the cruise lines put the emphasis on luxury, sailed to faraway ports, took up to two weeks' time and cost plenty. Naturally, this kind of trip attracted an older crowd, often of retired folk, who had the time and money to pay for all the coddling.

Carnival was in the forefront of changing the industry's image. It saw that only about 5% of the U.S. population had ever been on a vacation sail and so set about making the trips shorter, less expensive and "more fun" in order to tap a wider audience. A Carnival cruise to the Caribbean lasts for a week and at base rate costs $995 to $1,995, including airfare.

Today, thanks to Carnival, more and more of the 34 North American members of the Cruise Lines International Association are defining themselves as "contemporary" sails rather than "traditionalists." Two of Carnival's main rivals, Norwegian Cruise Lines and Royal Caribbean Cruise Lines, offer similar packages. Norwegian's comparable seven-day sails run from $975 to $2,025, while Royal Caribbean's cost from $1,045 to $2,095.

A big difference is in the cruise ships' styles. Carnival doesn't compare itself to other cruise lines; it says it competes against land-based vacations, such as an excursion to Hawaii, and therefore what it sells (rather relentlessly) is fun. That means limbo contests and lots of gambling aboard ship, with Las Vegas-style revues to boot.

On the other hand, a Royal Caribbean cruise is better known for fine food as well as subdued entertainment, such as solo violinists. Norwegian's ships are smaller for more ambience, and its popular ship Norway (which is even pricier for a seven-day Caribbean jaunt) features star entertainment.

The other end of the scale, called traditional cruising, may be found in Cunard's Sea Goddess. Roaming the Caribbean for a week costs $4,600 without air fare, but all "rooms" are outside suites, and the smaller ship guarantees more personal attention. Geared to top executives, the Sea Goddess features financial- and stress-management lectures.

But the winner is still Carnival. Its folksiness has paid off in a big way. The cruise line has the greatest market share — almost 25% — based on its passenger capacity. And its seven ships, which have about 8,448 berths at 100% capacity, haven't had trouble getting filled for the past five years.

According to a November analysts' report from Alex. Brown & Sons Inc., Carnival's utilization never fell below 104% in the years 1982-86 (over 100% utilization assumes more than two passengers per cabin). Carnival boasts that it carried 552,774 passengers during the last fiscal year, an average occupancy level of 111.6%, up 26% from 1986's 438,399 passengers. As Harvey L. Katz, an analyst at Salomon Brothers Inc., puts it, "I think these guys run a very tight ship."

The Fun Ship is highly structured for a total vacation experience. The ports of call, which currently include the Bahamas, the Caribbean and the Mexican Riviera, are the gravy. Says Dan Nesbett, marketing consultant, "Potential cruise people are worried about being cooped up on a ship. Carnival shows it's really fun, and there's a lot to do." He adds that other cruise lines may have as many activities, "but they don't advertise them like Carnival does."

Actually, no one in the cruise business spends as much on advertising — $30 million annually — or gives almost half its budget to television, which is what Carnival does. Robert Dickinson, Carnival's senior vice president of marketing and sales, believes the key to his company's success is in sustained

advertising. "It's like time-released aspirin," he finds.

Carnival's humble, even embarrassing, beginnings could hardly have foretold the success it is today. On its maiden voyage in 1972, the *Mardi Gras*, with 300 travel agents aboard, literally ran aground. The company remained beached until three years later, when Carnival chairman of the board Ted Arison, a founder of Norwegian Cruise Lines, bought out Carnival's parent AITS, Inc. Arison paid the Boston-based tour company one dollar and assumed Carnival's $5 million debt. A month later, the refurbished *Mardi Gras* showed a profit. And through 1975, it operated at more than 100% capacity.

The turnaround came about as Carnival revamped its marketing program to go full-speed after first-time and younger cruisers. And in 1984, the company began offering three- and four-day "Fun Ship" cruises for newcomers to get the sea experience.

With its target audience and theme in place, Carnival launched a unique media assault. By 1984, Carnival had broken ranks with its competitors and moved away from the print standard to a mixed-media strategy. The company signed up agency McFarland & Drier to handle its broadcast work, and soon Carnival was practically drowning the public with spots of perky, semi-celebrity Kathie Lee Gifford (formerly Johnson) belting out "Ain't We Got Fun" on a Carnival cruise.

Carnival Cruise Lines

Media Expenditures
January-September 1987 (000)

	1987	1986
Magazines	$ 50.8	$ 42.2
National Sun. mags.	14.2	–
Network tv	7,843.3	6,529.7
Spot tv	580.5	731.6
Outdoor	10.7	.3
Network cable	239.2	2.4
Total	$8,748.7	$7,306.2

Source: Leading National Advertisers; quarterly newspaper figures weren't available from Media Records, but total 1986 expenditures were $8.8 million; no network radio or RER spot radio expenditures were reported.

Originally, the spots started out on morning and evening news programs, but they have since expanded to prime time. The placements also skew 50-50, says Geri Donnelly the agency's vice president and media director, to both men and women on shows that run the gamut from *Miami Vice* to *Golden Girls*. Last September, in an effort to break through tv clutter, seven new 15- and 30-second commercials were developed featuring a game Gifford singing Carnival's version of "If My Friends Could See Me Now."

Carnival's Armstrong says that the majority of the remaining media dollars goes for newspaper advertising, with over 200 papers getting the business. Magazine ads run in trade and consumer travel books and everything from *Corporate Meetings and Incentives* to *Woman's Day*. Men's books aren't used, although Armstrong says that, surprisingly, men now are booking cruises as much or more than women. HMK Advertising Inc., Boston, provider of print advertising, has been a Carnival agency from day one.

One thing that a consumer will never find in a Carnival ad is a direct-response pitch. If people are interested in taking a Carnival cruise, they are instructed to call their local travel agents, who sell 99% of Carnival cruises. "We've built up a reputation of being very supportive to the travel-agent community," states Armstrong. "We're probably the only travel entity selling a product that doesn't put 1-800 numbers on our consumer advertising, only in trade advertising so agents know where to contact us."

Armstrong also feels that, because Carnival identified theirs as the Fun Ships, it made the product easier to sell. It also makes its prices common rated for its cabin categories, meaning that pricing is equal across the board for the five ships that offer seven-day cruises and the two ships that have three- and four-day trips. For example, a veranda suite on the *Tropicale* going for a seven-day cruise to the Mexican Riviera costs the same — $1,995 base rate — as a veranda suite on the *Holiday* for a seven-day cruise to the Caribbean. To avoid confusion for the travel agent, sailing days never change.

Carnival also tries to appeal to a travel agent's busy schedule through a daily (9:00 a.m. to 8:00 p.m.) computerized reservation-and-ticketing system operated by about 170 in-house bookers. A travel agent should be able to book a cruise in about three minutes, Armstrong insists.

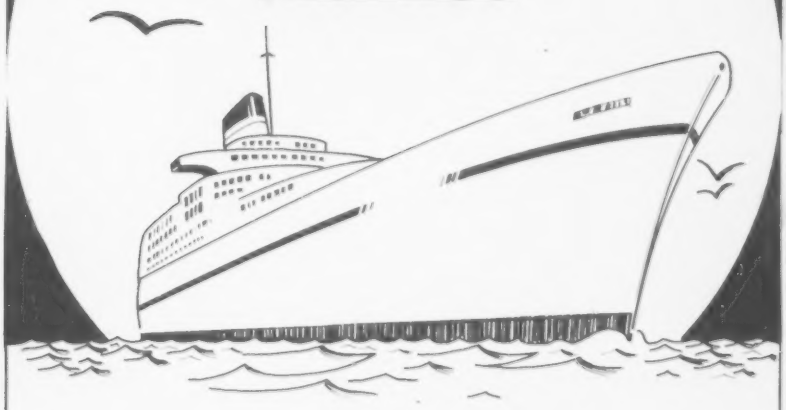
Your Agency Can Make Up To 12 Times The Profit Of A Typical Tour Package.
A Carnival Rep Can Show You How!
Fun!
The Fun Ships of
Carnival Cruise Lines

Travel agents are critical to the cruise industry.

Meanwhile, Dickinson goes around the country telling travel agents how to do their jobs. On average, he lectures groups of 100 to 1,000 agents, telling them things like they should be motivating their salespeople with incentives based on productivity. Another of his pet peeves is that most travel agencies aren't open on Sunday, when most of the industry's ads run.

Still, the company goes to great lengths to keep agencies thinking Carnival. There's an agency-of-the-year competition, complete with dinners, prizes and plaques; trade press ads stressing how profitable a Carnival cruise can be for the agency; and "thank you for the business" ads. Carnival also conducts a "Mystery Vacationer" promotion, where an employee poses as a prospective client at

CRUISE into the Columbus Market



to reach nearly 600,000 adult vacationers and the more than $1.3 billion they spend on travel

When you advertise in *The Columbus Dispatch,*

- you dominate the almost $16-billion Effective Buying Power in the Columbus MSA
- your message reaches 55% of nearly one-million MSA adults daily and a healthy 73% on Sunday
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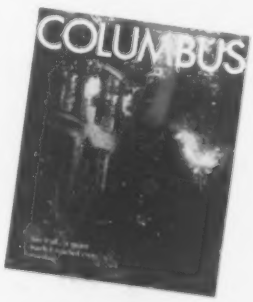
For the 32-page fact-packed COLUMBUS Marketing Book, call National Advertising Manager Leonard Zane at (614) 461-5183. In Ohio, call toll-free 1-800-282-0263.



The Columbus Dispatch

Morning & Sunday

Represented nationally by Cresmer, Woodward, O'Mara & Ormsbee, Inc.

ADSAT SUNDAY

a travel agency. If a travel agent's first travel suggestion is a cruise, he or she is awarded $10. And if the agent first recommends a Carnival cruise, the cruise line hands over $1,000 on the spot. About $500,000 has been awarded since the program began in 1981.

All of this wining and dining on Carnival's part makes sense when one looks out to the horizon and sees three more Fun Ships approaching; so sure of itself is Carnival these days that it is wading out into more traditional cruising waters with the Tiffany Project. "We have such a humongous repeat factor," explains Armstrong, "that there are some people who have traveled on all of our ships. The natural evolution is to move up."

Furthermore, Dickinson boasts, "I'd like nothing better than to go in and show [the traditional cruise lines] just exactly how we think it should be done." Carnival's plan is to sell an upscale product at a mid-level price. For example, Dickinson wants to have 350-cabin ships, as opposed to the 1,400-plus-berth Fun Ships, all with outside suites with private verandas. How would those be marketed? "If we can offer that particular product at a middle-of-the-road price, we won't have to do much marketing," he believes.

Carnival seems to have the deep pockets necessary for this scale venture, because it raised $397 million in its initial public offering last July. Though the stock took a hit in the October market thud, the shares have been recovering. "There was a general feeling that the timing was right, but it turned out to be better than we imagined," says Micky Arison, company president, CEO and son of Ted. "We felt that if we were to maintain our market-dominant position, we would need the capital to be able to build at will the type and quantity of ships needed to keep that position." So far, at least, the coast looks remarkably clear for Carnival's marketing itinerary. ■

HOLLYWOOD'S TOP GUN

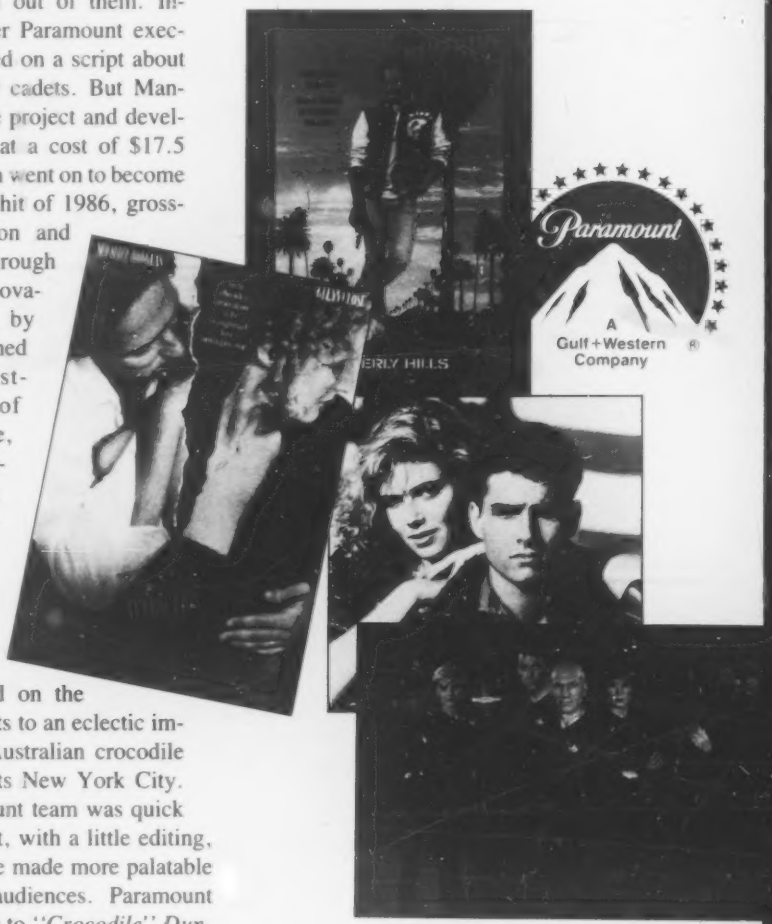
In film, tv and video, Paramount was the studio to beat in 1987.

by Joe Mandese

You couldn't have written a better script for a Hollywood success story. A few years ago, Paramount Pictures Corp. was facing a dismal situation. Its share of the U.S. theatrical market had dwindled from a 1984 high of 19.1% to a mere 1.5% by February 1986. Much of the successful management team that had led the company to its previous riches with films such as *Flashdance*, *An Officer and a Gentleman* and *Raiders of the Lost Ark* had defected to competing studios. And with the exception of one huge hit, *Beverly Hills Cop*, the studio had a stockpile of flops.

Enter Frank Mancuso, a 27-year Paramount veteran who became the division's chairman after its previous chief, Barry Diller, left to head 20th Century-Fox and its president, Michael Eisner, exited to take the top post at Walt Disney. A shrewd film marketing and distribution man, Mancuso quickly surrounded himself with talented film-production and marketing executives and began forging long-term relationships between the studio and hot film producers and stars.

Mancuso proved to be a deft marketer with an uncanny sense for the box office. Under his guidance, Paramount developed properties turned down by other studios and made blockbuster hits out of them. Indeed, the former Paramount executives had passed on a script about young naval air cadets. But Mancuso revived the project and developed *Top Gun* at a cost of $17.5 million. The film went on to become the blockbuster hit of 1986, grossing $270 million and subsequently, through shrewd and innovative marketing by Paramount, turned into the hottest-selling video of 1987 and all time, generating nearly $50 million in home-video revenues.



Similarly, most of the big Hollywood studios had passed on the distribution rights to an eclectic import about an Australian crocodile hunter who visits New York City. But the Paramount team was quick to recognize that, with a little editing, the film could be made more palatable for American audiences. Paramount bought the rights to *"Crocodile" Dundee* for $4 million and backed it with a big marketing campaign. It opened in 871 theaters and became 1986's second-highest grossing film and the third

Paramount
A Gulf+Western Company

JIM CACCAVO

Paramount's Ganis. Early use of trailers, aggressive publicity and the exploitation of film "brands" helped Paramount stay king of the box-office mountain for two years straight.

hottest-selling video of all time. As a result, Paramount finished 1986 as Hollywood's No. 1 film studio, earning $336.3 million in net revenues and a 22% share of box office grosses.

Paramount's 1986 marketing acumen could easily have been written off as a fluke if not for the sequel of 1987. In a place as fickle as Hollywood, Paramount proved it had legs, earning $558.3 million in box-office revenues and becoming the first studio in 15 years to finish No. 1 for two straight years. With three of the top movies of the year, *Beverly Hills Cop II* ($153.6 million), *Fatal Attraction* ($136.1 million) and *The Untouchables* ($76.2 million), and a 20% share of the U.S. market, one out of five U.S. moviegoers saw a Paramount film in 1987.

While this alone would justify Paramount's entry as a 1987 marketing-success story, its victories weren't merely relegated to its motion-picture operations. With 1987 home-video hits such as *Top Gun* and *"Crocodile" Dundee*; first-run syndication smashes such as *Star Trek: The Next Generation*; and with the off-network syndication sales of *Family Ties* and *Cheers*, revenues for Paramount's television and home-video operations jumped 76% to more than $1 billion in 1987.

Though Paramount owes much of its success to the fickle entertainment tastes of American consumers, the company's performance was no case of caprice. In fact, one could say it guided the tastes of American consumers by exploiting established franchises such as *Star Trek* and its Eddie Murphy films. "They're looking to create brand names with products that have a long shelf-life," notes Christopher Dixon, an analyst who follows Paramount parent Gulf + Western Inc. for Kidder, Peabody & Co. "They've got *Beverly Hills Cop* and the other Eddie Murphy films; the *Star Trek* film series and now the tv show; *"Crocodile" Dundee*'s coming sequel; *Raiders of the Lost Ark*; and the *Friday the 13th* series," he ticks off. "They are one of the few motion-picture companies to recognize that the big play in the industry is going to be marketing," Dixon explains.

With the possible exception of Disney, Paramount is probably the best studio at incorporating brand equity into the marketing of films. For instance, when they launched the ad campaign for *Beverly Hills Cop II*, they really didn't need to say much more than the fact that it was coming soon. As a result, Vito Mandato, senior vice president of Paramount's then agency AC&R/DHB & Bess Advertising (the account has been reassigned to DMB&B), notes that Paramount was able to stretch the media budget for the film by relying heavily on :15s. "In the case of an Eddie Murphy film, all we have to do is let people know that Eddie Murphy has a new film," he explains. "So we were able to use :15s quite effectively."

Although the film was backed by a $3.2 million tv buy (the most recent available figures from Leading National Advertisers), Paramount says it owes much of the film's success to the early, intensive exposure the promotional trailers received. Indeed, *Beverly Hills Cop II* began production in December 1986 and by Christmas, Paramount had a teaser trailer on movie-theater screens promoting the film, which wasn't set to open until Memorial Day. After five months of trailer promos and a concentrated pre-opening media blitz, the film opened in 2,326 theaters to a four-day Memorial Day weekend gross of $33 million.

Although network and spot tv remain the main weapon in the studio's media arsenal, Paramount executives can't emphasize the importance of trailers enough. In Hollywood, trailers are factored as part of the media mix in the same way the tv networks factor their on-air promos. And like the networks, the studios have found that the advantage goes to the studio with the highest viewership. So, Paramount's hits gave its new films the kind of exposure that NBC's hit series give to its new shows.

For instance, Paramount effectively used the box-office success of *The Untouchables*, which was released in June 1987, to promote its sleeper hit *Fatal*

Attraction, which was set to open in September.

"When we did our research, we found a surprising number of people who said they were attracted to [*Fatal Attraction*] by the trailer," says Sidney Ganis, president of worldwide marketing for the Motion Picture Group, adding that the trailers ranked an unusually "close second" to the tv commercials.

And just as Paramount extends the brand equity of one film to help market another, the company has recently begun exploiting those assets to cross-market from one entertainment sector to another. The most blatant example is *Star Trek*. "From the start, we said this is an extremely valuable corporate asset; it's one of our family jewels," explains Mel Harris, president of the Television Group. "We decided to bring it back to tv and give it the best possible chance we could."

Paramount's new first-run syndicated series, *Star Trek: The Next Generation*, had several things going for it. For one, it carried the brand equity of the original series plus four successful film spin-offs. But Paramount hedged its bets by producing it through its network-tv division. It was marketed and distributed through the syndication division, and the home-video division was used to generate publicity by releasing promotional spots for the series on its hot *Star Trek IV* videocassette release.

Paramount's motion-picture division used its marketing-and-merchandising department to manufacture and license products based on the series. And sister company Simon & Schuster produced books about the series.

"We made all of those things come together during the two-to-three-week period just prior to the launch of the series," says Harris, adding that the two-hour premiere episode earned a 17 national Nielsen rating (a 24.5 according to AGB) and the series' average ratings have consistently ranked about a 10. And the show has been delivering high levels of elusive male viewers. According to the November sweeps, *The Next Generation* was the third highest rated show in all of television for men 18-49, following *Moonlighting* and *LA Law*.

Paramount's video division also proved to be a firm believer in cross-promotion during 1987. Besides carrying promo spots for *The Next Generation* on its *Star Trek IV* release, the home-video division bought ad time on the series to promote the cassette. "We had the ideal crossover audience for both," says Robert Klingensmith, president of the division.

Paramount Pictures

***Media Expenditures**
January-September 1987 (000)

	1987
Spot television	$19,238.5
Network television	6,920.8
Cable tv networks	1,414.8
Spot radio*	193.3
Magazines	154.3
Outdoor	21.4
Total	**$27,943.1**

*Sources: Leading National Advertisers; *Radio Expenditure Reports. Media Records doesn't report quarterly newspaper expenditures. *Does not include trade advertising and promotion; figures do not reflect the fourth-quarter, a heavy period for motion picture advertising.*

But the video division was even more innovative in using cross-promotional tie-ins to extend the $40-$50 million it spent on advertising in 1987. "We started the year with the outlandish and different," says Klingensmith, referring to Paramount's landmark deal with Pepsi-Cola. In exchange for a Diet Pepsi promotional spot placed on the *Top Gun* video release, Pepsi augmented *Top Gun*'s media spending with an additional 1,000 gross rating points. "It was 25 seconds of Diet Pepsi and a five-second tag for us, but because the Pepsi spot looked so much like *Top Gun*, it was like a [30-second] commercial for *Top Gun*," says Klingensmith, adding, "I suppose if we went out and bought the same value in media, it would cost about $6-$8 million."

Paramount backed *Top Gun* with an additional $1 million worth of tv advertising, plus $1 million in co-op, trade and point-of-purchase, making it the most heavily promoted title video ever. And with its low $26.95 retail price, the company exceeded sales goals with 3 million units.

While Paramount was blessed with excellent film, tv and video product in 1987, it was the aggressive marketing and innovative use of media that made them stand out. And though the company proved willing to take risks on new strategies, it also showed its strength in a traditional Hollywood marketing discipline: publicity

More than any other studio in 1987, Paramount's publicity department — known to insiders as "The Machine" — managed to mobilize the media. *Newsweek* devoted covers to *Star Trek* and *The Untouchables*. Both *Time* and *People* featured *Fatal Attraction*. The list of electronic- and print-media coverage of these films is seemingly endless.

Perhaps the best example of Paramount's publicity clout was its launch of *Fatal Attraction*, a film that did not benefit from any corporate-brand equities. Paramount executives never dreamed it would strike the public nerve the way it did. Once it did, they took full advantage.

"We had excellent timing in terms of social themes, but we didn't present that issue going in," explains Paramount's Sidney Ganis. "We simply positioned it as a thriller that would attract women and particularly older women." In fact, Ganis says Paramount's publicity purposely steered away from the film's obvious social significance, because they assumed it was implicit and hyping it would only take away its impact. Paramount made sure, though, that the stars on the film hit the talk-show hustings.

"The key to developing a successful motion picture is clearly word-of-mouth. And Paramount is a master of that," declares Kidder, Peabody's Christopher Dixon. To tap an old show-biz term, they were boffo. ■

CLUTTER CLATTER

A TRIPLE TRAUMA

Beginning in the '50s and extending through the '70s, network television offered marketers an efficient and effective means of delivering large television audiences on which to build and maintain strong brand franchises. This is no longer necessarily the case.

Three critical developments have converged to reduce the cost-effectiveness of network television as an advertising vehicle — declining audience levels, increased commercialization (clutter) and inflation.

Since their peak in 1976/77, network-television ratings for prime time have declined an average of 20% and, since 1970/71, almost 30% for daytime. Single-digit ratings are no longer unusual in prime time, particularly on Friday and Saturday nights and during the summer months. Continued expansion of viewing choices, a deterioration in program quality and changes in lifestyles are the principal contributors to these declines.

Commercial efficacy is threatened by dramatic increases in clutter, as well as by the greater opportunity (viewing options) and means (remote controls) for viewers to channel-switch during commercial breaks. The growth of commercial time together with advertisers' propensity to use shorter commercials has increased dramatically the number of commercials to which the typical television viewer is exposed. And even though accurate information on channel-switching is unavailable because of the limitations of existing research services, we believe that viewer tune-out during commercials actually has increased, particularly among cable households with remote-control devices.

During the past five years, network prices have risen sharply — by as much as 50% in prime time (before the effects of people meters), according to industry sources. Such increases have caused it to become cost-prohibitive for most advertisers to purchase program sponsorships or run consistent schedules at meaningful or effective weight levels.

Despite its decline in effectiveness, I believe it is possible to restore much of the networks' lost luster and to make them a more productive advertising investment for marketers.

First, the quality of network programing must improve to attract broader, better-educated, more affluent audiences. Seeking out and experimenting with new programing sources, identifying and encouraging the development of effective, practical training programs at the college level, using the summer to test new programing concepts and conducting better research in testing pilots — all can contribute to achieving a higher level of quality and diversity in network programing.

Second, the level of clutter or nonprogram material must be reduced. This may require reformatting the commercial breaks — keeping them to no more than four messages in a pod, limiting credits and reducing the number of promos.

Third, the rate of inflation must be reduced. The three networks' effort to reduce their overheads is certainly positive. However, considerably more must be done to reduce the cost of network advertising. Opportunities include the use of non-traditional sources for programing, developing new talent, reviewing existing pricing strategies, eliminating superfluous merchandising and promotional materials and dropping commercial-integration charges.

Finally, we must all work toward building a closer, more compatible working relationship between the networks and advertisers/agencies, eliminating the "us/them" mentality. In such a partnership, we could undertake and utilize more effective research involving network television, including single-source and people-meter research, to identify areas of opportunity. It would result in a better understanding and lead to realizing the full potential of network.

Robert H. Bolte is the director of media services at The Clorox Company.

OUR READERS TELL US . . .

Clutter on tv continues to trouble our media-department readers, though it's apparently defined differently among these professionals. They are not redirecting dollars by the droves — yet — but many are willing to pay more to be amidst less. The ideal? Six to eight ad minutes per network hour. (Base = 142)

1. Do you think television-commercial clutter has become less of a problem?

Yes	7.7%
No	90.9%
No answer	1.4%

2. Have you ever reduced your tv-advertising commitment because of clutter?

Yes	17.6%
No	81.7%
No answer	0.7%

3. Will you pay a premium to have your tv spots in a less cluttered environment?

THOUGHTFUL THERAPY

Network television is a medium unlike any other. It is uniquely able to communicate thoughts and ideas to the widest and most diversified audience. With its amazing potential to provide immediate access to the entire nation, it continues to be the most dynamic and effective advertising medium ever developed.

Television advertising is the primary source of information about the American marketplace. When asked where they learn about new products and services, more Americans identify tv commercials than any other source.

The extensive reach of network television is apparent from the fact that each of the three television networks, through their owned stations and affiliate partners, reach 99% of all U.S. households. The cumulative audience generated by NBC-TV represents the single largest audience available to advertisers today. Yet television hasn't just provided advertisers with an opportunity to speak to mass audiences; advertisers have also found that they can use network television to reach very specific viewer targets.

NBC recognizes that television advertising, the consumer marketplace and the television industry are constantly changing and evolving. We understand that the continued success of our business and the businesses of our advertisers depend on our taking an approach to network service that is as dynamic as the medium itself. We have committed ourselves to recognizing changing realities and exploring new approaches. In the long run, this is the best policy for the entire industry.

We are constantly seeking ways to improve the value of NBC for advertisers by providing the kinds of programs, the kinds of audiences and the kinds of extended reach that advertisers need. We are actively reviewing our on-air formats to create the best possible environment for advertising messages. Recently, NBC took a bold step in daytime by eliminating the broadcast of 180 "pitchman-style" prize blurbs each week from our game-show programs, providing a much less "cluttered" look for viewers and a better environment for advertisers.

While it is true that there are more commercial units on the networks today, the total number of commercial minutes per hour has remained relatively static over the last several years. The reason for more commercial units is linked to the use of 15-second commercials. More and more advertisers want to get on network television, and this has created pressures for more :15 availabilities. This is obviously a concern, and we must all continue to think of ways to accommodate the increased interest in :15s while protecting the effectiveness and attractiveness of the medium.

What is the bottom line? As an industry, we are moving forward and seeking to further enhance our effectiveness. Advertisers are moving with us. They have committed over $10 billion to network television this year, an all-time high demand for network inventories. We continue to deal with new trends, such as :15s, and to make the best choices we can on commercial formats. We continue to review our operating policies, with the goal of maximizing program entertainment content for our vast audiences. Network television remains the advertising medium of the day and promises an even brighter tomorrow.

Pier Mapes is the president of the NBC Television Network.

Yes	64.8%
No	33.1%
No answer	2.1%

4. What is the percentage of your usage of the following commercial lengths?

	Avg.	% Using Any
10 seconds	5.4%	43.0%
15 seconds	10.0	54.2
30 seconds	79.2	97.9
45 seconds	0.2	2.8
60 seconds	4.9	41.5
120 seconds	0.2	0.7
Other	0.1	1.4
Total	100%	

5. What do you feel is the ideal number of advertising minutes per each network hour?

Five minutes or less	9.9%
Six minutes	25.4%
Seven minutes	7.0%
Eight minutes	35.2%
Nine minutes	4.9%
Ten minutes	11.3%
More than ten minutes	1.4%
No answer	4.9%

6. An all-advertising cable network currently is being launched. Do you think such a concept will be an effective media buy?

Yes	10.6%
No	80.2%
No Answer	9.2%

7. Do you think the number of single sponsorships may rise as advertisers look for better showcases for their ads?

Yes	66.2%
No	33.1%
No answer	0.7%

ECONOMIC EYE

CABLE TABLES

The CAB (212/751-7770) has released *Cable Facts 1988* for your information pleasure. Among the tidbits: Based on Paul Kagan research, in 1987, Americans spent over two and a half times as much on cable ($11.4 billion) as on movie attendance ($4.2 billion) or on videocassette rentals ($4.4 billion).

MAGAZINE AD SCORECARD

	Ad Pages Jan. 1988	% change from Jan. 1987	Dollars spent (000)	% change from Jan. 1987
1. Skin Care, Creams, Lotions and Oils	197.87	+10.9%	$ 7,435.1	+17.3%
2. Lip and Eye Beauty Products	37.06	+11.2	1,393.9	+32.3
3. Scents and Fragrances	19.17	−38.8	344.2	−68.4
4. Facial Makeup Products	36.22	−31.2	1,482.3	−26.8
5. Prepared Dinners and Entrees (including Pizza)	34.74	−16.3	2,088.4	−11.8
6. Liquor	168.33	+13.8	7,778.2	+43.5
7. Cigarettes	423.30	−1.7	21,051.5	−4.7
8. Soaps and Detergents	35.16	+41.1	2,121.1	+27.0
9. Passenger Cars, Domestic	377.02	+29.5	22,723.7	+72.5
10. Passenger Cars, Imported	515.52	+50.0	23,858.4	+44.0

Source: Publishers Information Bureau as prepared by Leading National Advertisers

MEDIA COST INDEX

1985 = 100

1987

	Apr.	% change	May	% change	June	% change	July	% change	Aug.	% change	Sept.	% change	Oct.	% change	Nov.	% change
Network TV																
Daytime	92	−6	92	−6	95	−1	98	−5	85	−11	83	−11	97	−6	91	−8
Nighttime	99	+8	110	+6	112	+3	109	+2	113	+5	106	−0	110	+6	115	+8
Spot TV																
Prime time	134	+16	136	+14	130	+9	138	+10	126	+4	124	+18	–	–	–	–
Daytime	116	+11	118	+8	104	−1	108	−4	117	+7	102	+3	–	–	–	–
Network radio	116	+4	116	+2	114	−1	102	−0	104	−1	106	+2	122	+6	112	+6
Spot radio	←		98	+3	→		←		103	+1	→		–	–	–	–
Consumer magazines	109	+3	109	+3	109	+3	109	+3	109	+3	109	+3	109	+3	111	+4
Natl. Sunday mags	103	+11	103	+11	103	+7	103	+7	113	+7	118	+14	106	+12	112	+12
Business publications	111	+5	111	+5	111	+5	111	+5	111	+5	111	+4	112	+5	113	+5
Newspapers	116	+8	116	+8	116	+7	115	+7	115	+7	115	+7	115	+6	115	+6
Outdoor	114	+6	114	+6	114	+6	114	+6	114	+6	114	+6	118	+12	118	+12

Notes: Percentage shown is relative change from the same month/period the year before.

1985 = 100

Sources:

Nighttime Network TV—Cost per average 30-second spot, 7:30-11 p.m. Monday-Saturday and 7-11 p.m. Sunday from Broadcast Advertisers Reports' (BAR) Network TV Service.

Daytime Network TV—Cost per average 30-second spot, 10 a.m.-4:30 p.m. Monday-Friday from BAR's Network TV Service.

Network Radio—Cost per average 30-second radio announcement from BAR's Network Radio Service.

Consumer Magazines estimate based on reported SRDS cost of a page, four-color in 40 national consumer magazines, as reported by Magazine Publishers Assn.

National Sunday Mags estimate based on published (rate cards) costs of a page, four-color in the national entries.

Daily Newspapers estimate based on Newspaper Advertising Bureau report of SRDS costs per column inch of a sample of 784 newspapers weighted to represent the universe.

Outdoor Posters based on estimate prepared by Institute of Outdoor Advertising.

Spot Radio index represents cost of a 60-second spot in the top 100 markets from data supplied to Radio Expenditure Reports by major radio representatives.

Business Publications estimate based on reported SRDS cost of a page, four-color in 48 publications representing 42 business and professional classifications.